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NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

GOVERNMENT AND ADMINISTRATION

Ministerial Changes

The Rt Hon Nicholas Ridley, MP, tendered his resignation as Secretary of State for Trade and Industry on 14 July and has been succeeded by the Rt Hon Peter Lilley, MP (formerly Financial Secretary to the Treasury). Mr Lilley's successor is the Hon Francis Maude, MP (formerly a Minister of State at the Foreign and Commonwealth Office), who was appointed on 23 July.

A number of other ministerial changes were announced on the same date. Details will be given in the August issue of the *Survey of Current Affairs*.

THE CABINET

Following the new appointment, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon Margaret Thatcher, FRS, MP

Lord President of the Council and Leader of the House of Commons
Rt Hon Sir Geoffrey Howe, QC, MP

Lord Chancellor
Rt Hon The Lord Mackay of Clashfern

Secretary of State for Foreign and Commonwealth Affairs
Rt Hon Douglas Hurd, CBE, MP

Chancellor of the Exchequer
Rt Hon John Major, MP

Secretary of State for the Home Department
Rt Hon David Waddington, QC, MP

Secretary of State for Defence
Rt Hon Tom King, MP

Chancellor of the Duchy of Lancaster
Rt Hon Kenneth Baker, MP

Secretary of State for Health
Rt Hon Kenneth Clarke, QC, MP

Secretary of State for Education and Science
Rt Hon John MacGregor, OBE, MP

Secretary of State for Scotland
Rt Hon Malcolm Rifkind, QC, MP

Secretary of State for Transport
Rt Hon Cecil Parkinson, MP

Secretary of State for Energy
Rt Hon John Wakeham, MP

Lord Privy Seal and Leader of the House of Lords
Rt Hon The Lord Belstead

Secretary of State for Social Security
Rt Hon Antony Newton, OBE, MP

Secretary of State for the Environment
Rt Hon Christopher Patten, MP

Secretary of State for Northern Ireland
Rt Hon Peter Brooke, MP

Minister of Agriculture, Fisheries and Food
Rt Hon John Selwyn Gummer, MP

Chief Secretary to the Treasury
Rt Hon Norman Lamont, MP

Secretary of State for Employment
Rt Hon Michael Howard, QC, MP

Secretary of State for Wales
Rt Hon David Hunt, MBE, MP

Secretary of State for Trade and Industry
Rt Hon Peter Lilley, MP

Northern Ireland

The Government's approach to future constitutional arrangements in Northern Ireland was outlined in the House of Commons on 5 July in a debate on an Order providing for the continuation of direct rule in the province.

Government View

Opening the debate (*Hansard*, Vol 175, No 136, cols 1140–1225), the Secretary of State for Northern Ireland, Mr Peter Brooke, said that the Government's

first priority would be to continue to eradicate terrorism from whichever side of the community it came.[1] No British government would withdraw, or agree to withdraw, from Northern Ireland in the face of killing and maiming by the Provisional Irish Republican Army, whose campaign was not only vicious and depraved but also futile.

Mr Brooke emphasised that Northern Ireland was part of Britain in national and international law because this was the clear wish of the majority of the people there. He added: 'There will be no change in the status of Northern Ireland unless and until a majority of the people there want it.' Moreover, the Irish Republic, which since 1937 had claimed sovereignty over the province, had now accepted, through the Anglo-Irish Agreement (see p 52), that Northern Ireland's status could only be changed with the consent of the majority of people there.

Constitutional Arrangements

Turning to constitutional arrangements, Mr Brooke said that the Government had the moral duty to find ways of returning substantial responsibilities to the politicians who were elected by the people of Northern Ireland. Present arrangements, under which local government had only the most modest powers, meant that there was no effective vehicle for local democracy. Without a regional forum, elected representatives were left with little opportunity to influence government decisions or to exercise powers available to politicians elsewhere in Britain and the Irish Republic.

Mr Brooke said that the existence of two traditions and two identities suggested that a distinct approach was needed and that the best hope of reconciliation was to be found in the achievement and maintenance of a long-lasting local political accommodation. In the past year the British Government had had lengthy discussions with the Irish Government, representatives of the constitutional parties in Northern Ireland and with other parties represented in the House of Commons.

Britain's Objectives

Mr Brooke said that the Government wished to safeguard Northern Ireland's constitutional guarantees and to seek institutions of government directly accountable to all its people and to which they could all give their wholehearted commitment and support. The Government was not prejudging the detailed form that such arrangements should take, since local politicians had to help create them. 'Our broad criteria for endorsing any particular system are that it should be workable and likely to prove stable and durable, and that it must command widespread support and provide an appropriate and fair role for both sides of the community.'

If talks were to be held, continued Mr Brooke, they would have to embrace all the relationships and have different strands. One of these would involve talks between the Government and the constitutional parties. Its objective would be to work towards agreement on new arrangements which might provide a basis for the transfer of political power, authority and responsibility to locally elected representatives. Such talks would also have to deal with the relationship between Parliament and any new institutions in Northern Ireland. The Irish Government would not be directly represented in such talks although the British Government would wish to take account of any proposals it might choose to put forward.

Other negotiations would have to cover the relationship between Northern Ireland and the Republic and the implications for the relationship between Britain and the Republic. It was also common ground that negotiations would need to lead to the simultaneous drawing together of the different strands. 'No agreement on any one aspect would be reached unless and until all parties were finally satisfied with the whole of what might emerge from such a dialogue.'

The more immediate difficulty, said Mr Brooke, was to secure agreement on the structure that such talks could have and the role that each of the potential participants might fulfil in the various stages of the process. He concluded: 'it is my judgment that there now exists, following the exploratory discussions that I have held, a basis for entering talks intended to cover all the relationships – a basis which I believe would meet everyone's essential interests and which would allow all participants to enter talks on a basis of mutual respect without any sacrifice of important interests or essential principles. The basis would also be consistent with our international obligations, including those under the Anglo-Irish Agreement.'

Opposition Views

The official Opposition spokesman, Mr Kevin McNamara, said that under direct rule there was an absence of accountability which could only be filled by giving power and responsibility to the elected representatives of Northern Ireland. A system of government receiving positive support from the people was therefore required.

Mr McNamara welcomed the Government's initiative in launching talks with the various participants. Considerable progress had been made, but this would not have been possible if the leaders of the major political parties in Northern Ireland had not been prepared to talk with the Government and work out a way forward.

The leader of the Liberal Democrats, Mr Paddy Ashdown, praised the Secretary of State for laying foundations for the future. All the constitutional parties in Northern Ireland had displayed great courage and had shown that they put the peace of Ireland before their own sectional interests. Any delay in putting the finishing touches to the present process had to be kept to the absolute minimum.

Views of Northern Ireland Parties

Speaking for the Ulster Unionist Party, Mr Ken Maginnis said that it was the Government's responsibility not only to assert that Britain did not recognise the Republic's territorial claim but to take the issue to the international courts. All Unionist members were committed to bring peace, stability and co-operation to Northern Ireland, but a basis

[1] On 11 July Mr Brooke announced in the House of Commons the publication of a major review of the Northern Ireland (Emergency Provisions) Acts 1978 and 1987 by Viscount Colville of Culross, QC (for publication details see p 262). Mr Brooke said that the Government would consider the review's recommendations on the provisions that should replace the Acts when they expired in 1992. The Government would bring forward proposals for new anti-terrorist legislation.

had to be established on which this could be done. That basis did not exist now, as there was a fundamental difference of opinion between the British and Irish Governments about Northern Ireland's status.

The leader of the Democratic Unionist Party, The Revd Ian Paisley, said that the Secretary of State had been prepared to consider views that were put to him. The majority of people in Northern Ireland did not back the Anglo-Irish Agreement, which had to be replaced and superseded. He hoped that the Irish Republic would help clear this road block since it was at present standing in the way of what could be a profitable move forward in Northern Ireland for a constitutional settlement. Any settlement had to be put to the people in the form of a referendum.

The Social and Democratic Labour Party leader, Mr John Hume, said that Mr Brooke had put immense efforts into a difficult task and had made considerable progress. He said that it was necessary to set aside the past and build institutions in Ireland that respected differences and which could then be used to work common ground.

Race Equality in the Civil Service

The Government has announced a programme to strengthen equal opportunities in the Civil Service for people of ethnic minority origin. This will build on existing policies to help departments and agencies recruit, develop and retain the best available staff, irrespective of race or colour. A policy review of the programme will be carried out in 1993.

The Race Relations Act 1976 makes direct and indirect discrimination in employment unlawful. Under the Act, individuals who consider they have suffered discrimination are entitled to bring an action in an industrial tribunal and may apply to the Commission for Racial Equality for help in doing so. The Commission also has the power to carry out formal investigations of employers where it has reason to suspect discrimination, and to take action over unlawful advertisements and pressure to discriminate.

It is government policy that all eligible people should have equality of opportunity for employment and advancement within the Civil Service on the basis of their ability, qualifications and fitness for the work. All departments and agencies are responsible for implementing this policy; the Cabinet Office (Office of the Minister for the Civil Service) is responsible for developing, monitoring, and reviewing its implementation throughout the service.

MINISTER'S STATEMENT

Announcing the publication of the programme[1] at a conference of departmental equal opportunity officers in Windsor on 22 May, the then Minister of State at the Privy Council Office, Mr Richard Luce, said that such a policy was vital if departments were to continue to meet their staffing needs in an increasingly competitive labour market.

Following nationwide ethnic surveys of all Civil Service staff [completed in 1988], it was clear that while black, Asian and other ethnic minority staff were employed in the Civil Service in proportion to their numbers in the working population, the Government was concerned that they were concentrated in the lower grades. It was essential that the Civil Service observed policies and procedures which were fair and valid for all staff, that selection was made on merit by fair and open competition and that the working environment was free from racial discrimination and harassment. Mr Luce said: 'the Government is committed to equality of employment opportunity not only because it is right, in terms of social justice and in law, but also because it brings benefits in terms of good management practice and effective organisation'.

It would be wrong, said Mr Luce, to think that publication of the programme meant that nothing had been achieved. Recent action had included campaigns to increase awareness among black and Asian people of career opportunities, recruitment advertising in the ethnic press, pre-selection training to address lower success rates in qualifying tests, ethnic monitoring and a review of equal opportunity training. A similar programme of action for women, launched in 1984, had shown how a comprehensive, service-wide approach could achieve progress (see pp 111-13, 1984, and pp 303-4, 1989).

PROGRAMME FOR ACTION

The Programme for Action sets out steps to be taken by departments and agencies to keep racial discrimination out of the Civil Service and to increase equality of opportunity while avoiding positive discrimination, which is unlawful.

Attracting Suitable Applicants

According to the programme, particular attention needs to be given to ensuring that job advertisements are readily accessible to all sections of the community and that positive steps are taken to reinforce the image of the Civil Service as an equal opportunity employer. The programme says that departments and agencies should:

- include an equal opportunities statement or message in all employment advertisements, recruitment literature and displays, and use photographs to show the Civil Service as an equal opportunity employer;
- involve black and Asian staff, as well as white, in education liaison, and direct it to institutions with considerable proportions of ethnic minority, as well as white, pupils and students;
- advertise vacancies in a range of media which are likely to reach potential applicants from all areas of the community;
- inform employment agencies, jobcentres and careers services of the equal opportunity policy, and ask them to notify vacancies to all local offices, including those in areas with high ethnic minority populations;

[1] *Programme for Action to Achieve Equality of Opportunity in the Civil Service for People of Ethnic Minority Origin.* Available free from Personnel Management Equal Opportunities Division, Office of the Minister for the Civil Service (OMCS), Horse Guards Road, London SW1P 3AL. ISBN 0 7115 0191 2.

– consider ways of encouraging applications from members of particular racial groups for work in which they are under-represented; and

– take steps to ensure that, where training schemes and other work experience arrangements exist, black and Asian people, as well as white, are aware of them and have equal opportunity to benefit from them.

Recruitment and Retention

It is important, says the programme, to ensure that selection methods and criteria are fair for all racial groups. Departments and agencies should ensure that:

– selection decisions are based on objective, non-discriminatory, work-related criteria consistently applied, and that selection methods are validated for different racial groups before use;

– nationality requirements are applied correctly;

– overseas qualifications are correctly evaluated and given due weight in relation to corresponding British qualifications;

– wherever possible, there is a black or Asian person on each selection panel;

– all those involved in recruitment and selection are given appropriate training or guidance in equal opportunities;

– selection criteria and reasons for selecting or rejecting individual candidates are recorded; and

– recruitment is monitored stage by stage; reasons for any significant disparities in success rates of different racial groups are examined; and selection criteria and procedures are reviewed where appropriate.

Training and Career Development

The programme says that all staff must be afforded equal opportunity to benefit from training, job allocation, assessment and promotion. On training and development, the programme says that departments and agencies should:

– draw up training strategies to identify and meet training needs related to achieving equality of opportunity;

– instruct trainers in equal opportunities;

– ensure that all staff receive induction training which covers their rights and responsibilities under the equal opportunity policy and procedures;

– ensure that appropriate and effective equal opportunity training is included in courses covering, among other things, management, welfare, staff reporting and appraisal, selection and promotion;

– monitor participation by ethnic origin in different types of training, and deal appropriately with any under-representation;

– ensure that material used in training courses does not reinforce racial stereotypes;

– review training course arrangements, which should be capable of accommodating the particular cultural or religious needs of staff – for example, days of worship and diet;

– encourage the involvement of black and Asian, as well as white, staff in development training at all levels;

– consider specific encouragement to members of particular racial groups to participate in training which will help them take advantage of opportunities for work in which they are under-represented; and

– ensure equality of opportunity in job allocation.

On staff reporting and appraisal, departments and agencies should monitor annual staff reports and those receiving performance-related pay, and examine reasons for, and deal with, any significant disparities between staff of different racial groups.

On promotion, the programme makes recommendations similar to those on recruitment.

Ethnic Monitoring

According to the programme, monitoring data on ethnic origin are needed to measure the effectiveness of equal opportunity policies and procedures. To this end, departments and agencies should:

– improve the quality of the ethnic origin database for staff in post, by following up non-respondents, for example, and by ensuring a high response rate from new entrants on recruitment or transfer; and

– monitor grievances and disciplinary cases, findings and outcomes relating to alleged racial discrimination and harassment and use this information to identify possible problem areas and review procedures.

The programme says that where significant disparities exist between members of different racial groups, departments and agencies should examine possible reasons, review procedures and take appropriate remedial action. These areas include: involvement in training schemes, such as Youth Training (see p 471, 1989), and subsequent employment success; job application rates; new staff by grade; allocation to duties; promotion application or eligibility rates; resignation rates and reasons for them; and selection for redundancy, relocation or premature retirement.

Shorter Note

IMMIGRATION RULE CHANGES

Since 8 June citizens of Argentina and the German Democratic Republic (GDR) have no longer required visas in order to enter Britain. The changes were announced in the House of Commons on 6 June (*Hansard*, Vol 173, No 117, written answers, col 625).

An agreement between Britain and Argentina to abolish the visa requirement for nationals of each country wishing to visit the other was signed on 9 April, following the decision in February of both countries to re-establish diplomatic relations (see p 110). A similar agreement to abolish visa requirements was signed between Britain and the GDR on 29 May. This is in line with the decision taken on 7 May by the foreign ministers of the European Community that all member states abolish their visa requirements for citizens of the GDR.

Source: Home Office news release, 6.6.90.

North Atlantic Treaty Organisation Summit Meeting

After a summit meeting in London on 5 and 6 July heads of Government of the 16 members of the North Atlantic Treaty Organisation issued a declaration in which they agreed to carry out a review of the Alliance's strategy, including a modification of the size, role and structure of its nuclear and conventional forces and a reduction in its reliance on nuclear weapons. They also agreed to expand the Alliance's political role, and proposed a number of measures to strengthen confidence in Europe.

At the same time, heads of Government committed themselves to maintain an integrated military structure, a mix of up-to-date conventional and nuclear weapons, the continued presence of United States forces and their nuclear weapons in Europe, and a united Germany in the Atlantic Alliance.

BRITISH VIEWS

At a press conference on 6 July, the Prime Minister, Mrs Margaret Thatcher, said that the declaration was a 'positive and forward looking' response to the statement made by the Warsaw Pact countries in Moscow (see footnote to p 200), and an encouragement to the Soviet President, Mr Mikhail Gorbachev, and the other leaders in Eastern European countries to continue their policies of reform. The declaration was also a reassurance that Britain and its allies would continue to have 'a sure defence'.

The Alliance wanted to see the North Atlantic Treaty Organisation (NATO) adapt to the new situation which had come about because of the changes in the Soviet Union and Eastern Europe, Mrs Thatcher said. 'We also wanted to see the changes continue and to go further by persuading these countries that they have nothing to fear from NATO or from having a united Germany in NATO. But we are also all agreed that we need to maintain a strong defence because you never know what threat may emerge in the future. A sure defence is the foundation for everything else and we cannot ignore the very substantial military might and its modernisation which the Soviet Union is still conducting.' Their task at the summit meeting, Mrs Thatcher said, was to strike 'a balance between these two considerations'.

NATO DECLARATION

The following communiqué (slightly abridged and with headings added) was issued on 6 July.

LONDON DECLARATION ON A TRANSFORMED NORTH ATLANTIC ALLIANCE

Introduction

Europe has entered a new, promising era [see pp 9-12]. *Central and Eastern Europe is liberating itself. The Soviet Union has embarked on the long journey toward a free society. The walls that once confined people and ideas are collapsing. Europeans are determining their own destiny. They are choosing freedom. They are choosing economic liberty. They are choosing peace. They are choosing a Europe whole and free. As a consequence, this Alliance must and will adapt.*

The North Atlantic Alliance has been the most successful defensive alliance in history. As our Alliance enters its fifth decade . . ., it must continue to provide for the common defence. This Alliance has done much to bring about the new Europe. No-one, however, can be certain of the future. We need to keep standing together, to extend the long peace we have enjoyed these past four decades. Yet our Alliance must be even more an agent of change. It can help build the structures of a more united continent, supporting security and stability with the strength of our shared faith in democracy, the rights of the individual, and the peaceful resolution of disputes. We reaffirm that security and stability do not lie solely in the military dimension, and we intend to enhance the political component of our Alliance as provided for by Article 2 of our Treaty.

German Unification and European Community

The unification of Germany means that the division of Europe is also being overcome [see pp 169-70].[1] *A united Germany in the Atlantic Alliance of free democracies and part of the growing political and economic integration of the European Community will be an indispensable factor of stability. . . . The move within the European Community towards*

[1] At the Two-plus-Four talks in Paris on 17 July, Britain, France, the Soviet Union and the United States reached agreement with Poland and the two German Governments on safeguarding Poland's existing borders with a unified Germany. Earlier, on 16 July, the Federal Republic of Germany and the Soviet Union agreed to sign a treaty that would include a unified Germany joining NATO, the withdrawal of Soviet forces from East Germany, and restrictions on the size of the future German army. The new state would also renounce the manufacture and possession of nuclear, chemical and biological weapons.

political union, including the development of a European identity in the domain of security, will also contribute to Atlantic solidarity and to the establishment of a just and lasting order of peace throughout . . . Europe [see pp 164-8].

Linked Security

We recognise that, in the new Europe, the security of every state is inseparably linked to the security of its neighbours. NATO must become an institution where Europeans, Canadians and Americans work together not only for the common defence, but to build new partnerships with all the nations of Europe. The Atlantic Community must reach out to the countries of the East which were our adversaries in the Cold War, and extend to them the hand of friendship.

We will remain a defensive alliance and will continue to defend all the territory of all of our members. We have no aggressive intentions and we commit ourselves to the peaceful resolution of all disputes. We will never in any circumstance be the first to use force.

Joint Declaration

The member states of the North Atlantic Alliance propose to the member states of the Warsaw Treaty Organisation a joint declaration in which we solemnly state that we are no longer adversaries and reaffirm our intention to refrain from the threat or use of force against the territorial integrity or political independence of any state, or from acting in any other manner inconsistent with the purposes and principles of the United Nations Charter and with the CSCE [Conference on Security and Co-operation in Europe] *Final Act* [see p 159]. *We invite all other CSCE member states to join us in this commitment to non-aggression.*

East-West Contacts

In that spirit, and to reflect the changing political role of the Alliance, we today invite President Gorbachev on behalf of the Soviet Union, and representatives of the other Central and Eastern European countries to come to Brussels and address the North Atlantic Council. We today also invite the governments of the Union of Soviet Socialist Republics, the Czech and Slovak Federal Republic, the Hungarian Republic, the Republic of Poland, the People's Republic of Bulgaria and Romania to come to NATO, not just to visit, but to establish regular diplomatic liaison with NATO. This will make it possible for us to share with them our thinking and deliberations in this historic period of change.

Our Alliance will do its share to overcome the legacy of decades of suspicion. We are ready to intensify military contacts, including those of NATO Military Commanders, with Moscow and other Central and Eastern European capitals. . . .

Military leaders from throughout Europe gathered earlier this year in Vienna to talk about their forces and doctrine [see footnote to p 11]. *NATO proposes another such meeting this Autumn to promote common understanding. We intend to establish an entirely different quality of openness in Europe, including an agreement on "Open Skies"* [see p 207].

The significant presence of North American conventional and US nuclear forces in Europe demonstrates the underlying political compact that binds North America's fate to Europe's democracies. But, as Europe changes, we must profoundly alter the way we think about defence.

Arms Control

To reduce our military requirements, sound arms control agreements are essential. That is why we put the highest priority on completing this year the first treaty to reduce and limit conventional armed forces in Europe (CFE) along with the completion of a meaningful CSBM [confidence- and security-building measures] *package* [see p 159]. *These talks should remain in continuous session until the work is done. Yet we hope to go further. We propose that, once a CFE Treaty is signed, follow-on talks should begin with the same membership and mandate, with the goal of building on the current agreement with additional measures, including measures to limit manpower in Europe. With this goal in mind, a commitment will be given at the time of signature of the CFE Treaty concerning the manpower levels of a unified Germany.*

Our objective will be to conclude the negotiations on the follow-on to CFE and CSBMs as soon as possible and looking to the follow-up meeting of the CSCE to be held in Helsinki in 1992. We will seek through new conventional arms control negotiations, within the CSCE framework, further far-reaching measures in the 1990s to limit the offensive capability of conventional armed forces in Europe, so as to prevent any nation from maintaining disproportionate military power on the continent. NATO's High Level Task Force will formulate a detailed position for these follow-on conventional arms control talks. We will make provisions as needed for different regions to redress disparities and to ensure that no one's security is harmed at any stage. Furthermore, we will continue to explore broader arms control and confidence-building opportunities. This is an ambitious agenda, but it matches our goal: enduring peace in Europe.

Changing NATO Strategy

As Soviet troops leave Eastern Europe and a treaty limiting conventional armed forces is implemented, the Alliance's integrated force structure and its strategy will change fundamentally to include the following elements:

– NATO will field smaller and restructured active forces. These forces will be highly mobile and versatile so that Allied leaders will have maximum flexibility in deciding how to respond to a crisis. It will rely increasingly on multinational corps made up of national units.

– NATO will scale back the readiness of its active units, reducing training requirements and the number of exercises.

– NATO will rely more heavily on the ability to build up larger forces if and when they might be needed.

To keep the peace, the Alliance must maintain for the foreseeable future an appropriate mix of nuclear and conventional forces, based in Europe, and kept up to date where necessary. But, as a defensive

Alliance, NATO has always stressed that none of its weapons will ever be used except in self-defence and that we seek the lowest and most stable level of nuclear forces needed to secure the prevention of war.

Nuclear Deterrent Forces

The political and military changes in Europe, and the prospects of further changes, now allow the Allies concerned to go further. They will thus modify the size and adapt the tasks of their nuclear deterrent forces. They have concluded that, as a result of the new political and military conditions in Europe, there will be a significantly reduced role for sub-strategic nuclear systems of the shortest range. They have decided specifically that, once negotiations begin on short-range nuclear forces, the Alliance will propose, in return for reciprocal action by the Soviet Union, the elimination of all its nuclear artillery shells from Europe.

New negotiations between the United States and the Soviet Union on the reduction of short-range nuclear forces should begin shortly after a CFE agreement is signed. The Allies concerned will develop an arms control framework for these negotiations which takes into account our requirements for far fewer nuclear weapons, and the diminished need for sub-strategic nuclear systems of the shortest range.

Finally, with the total withdrawal of Soviet stationed forces and the implementation of a CFE agreement, the Allies concerned can reduce their reliance on nuclear weapons. These will continue to fulfil an essential role in the overall strategy of the Alliance to prevent war by ensuring that there are no circumstances in which nuclear retaliation in response to military action might be discounted. However, in the transformed Europe, they will be able to adopt a new NATO strategy making nuclear forces truly weapons of last resort. . . .

Modified Flexible Response

In the context of these revised plans for defence and arms control, and with the advice of NATO Military Authorities and all member states concerned, NATO will prepare a new Allied military strategy moving away from "forward defence", where appropriate, towards a reduced forward presence and modifying "flexible response" to reflect a reduced reliance on nuclear weapons [see pp 158-9]. *In that connection, NATO will elaborate new force plans consistent with the revolutionary changes in Europe. NATO will also provide a forum for Allied consultation on the upcoming negotiations on short-range nuclear forces.*

Security and Co-operation

The . . . CSCE should become more prominent in Europe's future, bringing together the countries of Europe and North America. We support a CSCE Summit later this year in Paris which would include the signature of a CFE agreement and would set new standards for the establishment, and preservation, of free societies. It should endorse, inter alia*:*

– CSCE principles on the right to free and fair elections;

– CSCE commitments to respect and uphold the rule of law;

– CSCE guidelines for enhancing economic co-operation, based on the development of free and competitive market economies; and

– CSCE co-operation on environmental protection.

CSCE Proposals

We further propose that the CSCE Summit in Paris decide how the CSCE can be institutionalised to provide a forum for wider political dialogue in a more united Europe. We recommend that CSCE governments establish:

– a programme for regular consultations among member governments at the heads of State and Government or ministerial level, at least once each year, with other periodic meetings of officials to prepare for and follow up on these consultations;

– a schedule of CSCE review conferences once every two years to assess progress toward a Europe whole and free;

– a small CSCE secretariat to co-ordinate these meetings and conferences;

– a CSCE mechanism to monitor elections in all the CSCE countries, on the basis of the Copenhagen Document [see pp 317-19, 1986]*;*

– a CSCE Centre for the Prevention of Conflict that might serve as a forum for exchanges of military information, discussion of unusual military activities, and the conciliation of disputes involving CSCE member states; and

– a CSCE parliamentary body, the Assembly of Europe, to be based on the existing parliamentary assembly of the Council of Europe, in Strasbourg, and include representatives of all CSCE member states.

The sites of these new institutions should reflect the fact that the newly democratic countries of Central and Eastern Europe form part of the political structures of the new Europe.

Conclusion

Today, our Alliance begins a major transformation. Working with all the countries of Europe, we are determined to create enduring peace on this continent.

European Council

The main issues discussed at the European Council meeting in Dublin on 25 and 26 June included progress towards economic and political integration in the Community and the provision of economic aid to the Soviet Union.

PRIME MINISTER'S STATEMENT

Single European Market

In a statement to the House of Commons on 28 June (*Hansard*, Vol 175, No 131, cols 489-90), the Prime Minister, Mrs Margaret Thatcher, said that the com-

pletion of the single market (see p 113) represented the 'biggest and most far-reaching change under way in Western Europe'. Useful progress had been made under the Irish presidency of the Council in the energy and transport sectors, on public procurement and on company taxation. Priorities for the next six months (during the Italian presidency) would include financial services, insurance, and further liberalisation of transport and public procurement. The European Commission had recognised that Britain had a particularly good record among member states for implementing decisions relating to the single market and would in future make regular reports to the Council in this respect.

European Integration

Regarding political union (see pp 164 and 167), the Prime Minister confirmed that an intergovernmental conference would be convened in December 1990. Britain's view that national institutions and national identities should be fully respected was, she maintained, clearly understood and increasingly shared. Community institutions should be made more effective, and only in areas where particular objectives could not be achieved by national action should there be Community involvement.

The Prime Minister also confirmed that an intergovernmental conference on economic and monetary union would similarly begin in December 1990. She had commended the recent proposals put forward by the Chancellor of the Exchequer, Mr John Major (see pp 242-3), and had reminded the Council of the opposition expressed in the House of Commons to economic and monetary union on the basis proposed in the Delors report (see pp 408-9 and 457, 1989).

Aid to the Soviet Union

Mrs Thatcher stressed that Britain fully supported the efforts of President Gorbachev to introduce greater democracy and reform in the Soviet Union and was ready to consider various forms of assistance. Any such aid, however, had to be clearly linked to economic restructuring to ensure its effectiveness. To that end, the Council agreed that an analysis of the Soviet economic position should be undertaken by the Commission, together with experts from the new European Bank for Reconstruction and Development (see p 209) and other international financial agencies. Consequent proposals would be submitted to the Council in due course.

Other Issues

The Council's statement on South Africa called on all parties to refrain from violence and advocacy of violence, and the Prime Minister expressed disapproval of the continued support by the African National Congress for armed struggle. She continued: 'The principle of a gradual relaxation of sanctions, for which we have been pressing for months [see pp 64 and 107-8], was accepted and is reflected in the statement. But the Council was unable to agree to make a start now. We shall look at this again under the Italian presidency, in the light of further progress in South Africa.'

Other Council declarations dealt with the Middle East, nuclear non-proliferation and the environment. Britain's proposals for a European drugs intelligence unit and for a conference of Eastern and Western European countries on drugs issues were also endorsed (see p 241).

EUROPEAN COUNCIL PRESIDENCY CONCLUSIONS

Progress towards European Union

The Council welcomed progress towards the implementation of the Single European Act, noting that two-thirds of internal market measures had now been agreed, and emphasised the importance of implementation of Community legislation at national level within the required time limits. It considered that the first stage of economic and monetary union, coming into effect on 1 July 1990, should be used 'to ensure convergence in the economic performance of member states, to advance cohesion and to further the use of the ECU [European Currency Unit – see pp 242-3]'. The Council decided that the intergovernmental conference on economic and monetary union would begin on 13 December 1990 with the objective of ratification of the results by member states before the end of 1992.

On political union, it was agreed to convene another intergovernmental conference, beginning on 14 December 1990 and similarly aiming for ratification of the results by the end of 1992. Preparatory work would be based on the deliberations of foreign ministers, with contributions from national governments and the Commission. Foreign ministers had carried out, in May and June, an examination of the need for possible treaty changes and prepared proposals for the Council. Four issues were identified as the main themes for debate:

– the scope, institutional aspects and general principles of political union;

– democratic accountability in the light of the transfer of greater power and responsibilities to Community institutions;

– the efficiency and effectiveness of the Community and its institutions; and

– the unity and cohesion of the Community's international action.

German Unification

The Council welcomed the conclusion of the recent inter-German State Treaty,[1] which would promote and accelerate the integration of the German Democratic Republic (GDR) into the Community (see p 165). The Commission's proposals for the necessary transitional arrangements were to be submitted in September 1990.

Environment

Acknowledging the need for a more systematic approach to environmental management, the Council adopted a declaration setting out guidelines for action. The Commission was called upon to prepare proposals by the end of 1990 on appropriate economic and fiscal measures for member states to penalise polluters. Support from the Community's

[1]The treaty on German economic, monetary and social union, signed on 18 May 1990. The Deutsche Mark became the common currency on 1 July.

structural funds[1] would be provided for the management of hazardous wastes and the treatment of coastal waste water discharges. The Commission was further invited to undertake a review of the overall level of budgetary resources devoted to Community environment policy.

The Council recognised the Community's 'special responsibility to encourage and participate in international action to combat global environmental problems'. Financial and technical resources would be provided to developing countries to assist their implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer. The Community was pressing for the revision of this protocol to speed up the elimination of such substances (see pp 256-8). The Community would also promote the early adoption of a Climate Convention and associated protocols, including one on tropical forest protection. The Commission would open discussions with Brazil and other Amazon Pact countries on an action programme for tropical forest protection. Priority would be given to codes of conduct for timber importing countries and the provision of additional resources to develop sustainable forest management.

It was recognised that the countries of Central and Eastern Europe needed Community support to overcome severe environmental problems and to achieve sustainable economic development. The Council endorsed the agreement reached in Dublin on 16 June between the environment ministers of the Community and those of Central and Eastern Europe.[2]

The Council welcomed the adoption of the regulation to establish the European Environment Agency (see p 168) and of the Directive on Freedom of Access to Environmental Information. The latter would increase the availability of information to the public and provide for the publication of regular State of the Environment reports. Member states were urged to adopt national environmental action plans and to promote environmental awareness. The Commission was invited to use the objectives and principles contained in the declaration as the basis of the Community's Fifth Action Programme for the Environment and to present a draft programme in 1991.

Free Movement of Persons

The Council welcomed the conclusion and signature by member states (except Denmark) of a convention setting out procedures and criteria for determining the member state responsible for examining an application for asylum (see p 243). This convention was the first major legal instrument in the series necessary to ensure the free movement of people within the Community. The Council also noted the progress on a convention on the crossing of the external borders of the Community,[1] and called for its conclusion and signature by member states by the end of 1990.

Drugs and Organised Crime

The Council invited the Council of Europe's Pompidou Group (see p 188) to convene an early conference of Eastern and Western European countries on drugs issues. Community member states were urged to adopt legislation providing for the seizure of assets of persons involved in trafficking and also to develop drug demand reduction programmes. The Council called for the preparation of a comprehensive European plan covering measures to combat both the demand and supply of drugs and providing for an active European role in international co-operative action. The Council further sought to accelerate work on the creation of a common information system, on the co-ordination of law enforcement training and co-operation, and on the establishment of a European central drugs intelligence unit.

The Soviet Union

The Council welcomed the political and economic reforms initiated by President Gorbachev and stressed its support for the progress of the Soviet Union towards democracy and a market-oriented economy. In consultation with the International Monetary Fund, the World Bank, the European Investment Bank, the Organisation for Economic Co-operation and Development, the European Bank for Reconstruction and Development and the Soviet Government, the Commission would prepare proposals covering short-term credits and longer-term support for structural reform in the Soviet Union for submission to the Council.

European Security

Regarding the Conference on Security and Co-operation in Europe (CSCE), the Council proposed agreement on regular meetings of heads of State and Government as well as of foreign ministers. It further favoured the establishment of a small administrative secretariat and the holding of more frequent follow-up meetings (see p 165). The Council agreed that member states should strengthen their co-ordination, with a view to achieving a common position on the various sectors of the CSCE process.

South Africa

The Council welcomed the release of Mr Nelson Mandela and other political prisoners, the removal of the ban on black political organisations and the substantial lifting of the state of emergency. It also acknowledged the commitment of the South African Government to replace apartheid with a democratic and non-racial system and to enter into negotiations on the future of the country with representatives of the non-white majority. The Council paid tribute to the efforts of both Mr Mandela and the South African State President, Mr F. W. de Klerk, to bring about

[1]The European Regional Development Fund, the European Social Fund and the European Agricultural Guidance and Guarantee Fund Guidance Section.

[2]This concluded that a basis for accurately assessing the state of the environment in all the countries of Europe should be established. It was agreed that Central and Eastern European countries should, with Community assistance, urgently review pollution monitoring and control arrangements, and address nuclear safety, air and water quality problems. Central and Eastern European representatives agreed to establish high environmental standards and environmental impact assessment procedures similar to those applying in the Community. Community programmes of assistance would be based on the principle of sustainable development.

[1]A convention designed to secure uniform standards of control at the external borders of member states in relation to persons wishing to enter the Community for a short stay, and a further degree of co-operation between member states on matters concerning visas.

such changes. It also welcomed the joint commitment of the South African Government and the African National Congress to stability and peaceful negotiations.

Noting that the Community was operating a programme of assistance to the victims of apartheid, the Council said that this programme would be adapted and funds increased in response to the new situation and to aid the return and resettlement of exiles.

The Community had agreed in December 1989 to maintain pressure on South Africa (see p 457, 1989), and the Council affirmed 'its willingness to consider a gradual relaxation of this pressure when there is further clear evidence that the process of change already initiated continues in the direction called for at Strasbourg'.

The Middle East

The Council reaffirmed the need for an international peace conference to secure a settlement in the Middle East. This, it believed, should take place under the auspices of the United Nations and with the participation of the Palestine Liberation Organisation. All parties had a responsibility to refrain from actions or statements which could impede steps towards dialogue and negotiation.

Nuclear Non-Proliferation

The Council declared its commitment to the objective of nuclear non-proliferation (see p 264, 1989), believing that the further spread of nuclear weapons would threaten regional and global security. An effective international non-proliferation regime had to be maintained. Community member states would actively work to secure a successful outcome to the Fourth Review Conference of the Treaty on the Non-Proliferation of Nuclear Weapons to be held in August and September 1990.

European Community: Economic and Monetary Integration

Britain's views on economic and monetary integration in the European Community have been outlined in recent speeches by the Chancellor of the Exchequer, Mr John Major, and the Governor of the Bank of England, Mr Robin Leigh-Pemberton.

The Chancellor spoke in London on 12 June to the German Chamber of Industry and Commerce in the United Kingdom and on 20 June to the German Industry Forum. On 6 July he spoke in St Asaph, Clwyd, to the Confederation of British Industry of North Wales. The Governor spoke in Strasbourg on 11 July at a meeting with the European Currency Inter-Group of the European Parliament and the European Parliamentarians and Industrialists Council (EPIC) and also at a lunch given by EPIC.

The Delors Proposals

The President of the European Commission, M. Jacques Delors, prepared a report in 1989 (see p 271, 1989) on a three-stage plan for monetary union in the European Community, leading eventually to a single European currency and a European central bank. The first stage involves increased co-ordination of economic and monetary policy within the existing institutional framework, completion of the single European market (see p 113), and all Community countries joining the exchange rate mechanism (ERM) of the European Monetary System. The second stage would be a transitional one, during which responsibility for policy would be transferred increasingly from national authorities to new institutions. In the third stage exchange rates would become permanently fixed and national currencies superseded by a single currency.

Britain's Position

Britain favours a market-based and evolutionary approach to integration. Accordingly, an alternative set of proposals was put forward by Mr Major in November 1989 (see pp 408-9, 1989). This approach was based on three principles:

- price stability;
- increasing the role of markets and competition; and
- 'subsidiarity' – that is, retaining national control over economic policy to the maximum extent possible.

Stage One

Britain is fully committed to stage one of the Delors plan. With regard to the single market, Britain has implemented more measures than any other Community country. On the ERM, the Government has stated on a number of occasions that Britain will join when the following conditions have been met:

- freedom of capital movements;
- the abolition of foreign exchange controls;
- a free market in financial services; and
- a strengthening of the Community's competition policy through a reduction in state aids.

Stage Two

Both the Chancellor and the Governor have suggested that a weakness of the Delors proposals was the lack of detail in stage two. In order to progress from stage one – to further measures to promote convergence of economic performance, low inflation and stable exchange rates – Mr Major has put forward the idea of building on the existing common European currency, the European Currency Unit (ECU). A first practical step, the Chancellor suggested, might be to encourage use of the ECU by issuing ECU banknotes for general circulation. This would require the establishment of a new institution – a European Monetary Fund (EMF). The EMF, acting as a currency board, would supply ECUs on demand in exchange for Community currencies. In order to avoid an increase in the Community's money supply, the Fund would be allowed to issue ECU notes only if they were backed by its own holdings of the various currencies making up the ECU. There would thus be no new creation of money and so no inflationary potential. Interest rates on ECU loans and deposits would be determined, as now, by the

weighted average of interest rates on the component currencies.

Taking these proposals further, Mr Major put forward the idea of a 'hard' ECU. Under this system, the ECU would no longer be defined as a 'basket' of currencies, which performed only as well as the average of its components. Instead, it would be a currency in its own right, which would never be devalued against other Community currencies. The hard ECU would thus be as strong as the strongest Community currency. In order to prevent the EMF from increasing hard ECU liabilities while accumulating holdings of potentially weaker national currencies, each participating central bank would be obliged to repurchase its currency at the request of the EMF in exchange for hard ECUs or some other strong currency. As hard ECU holdings were built up, the EMF would be able to manage hard ECU interest rates in the manner of any central bank – by creating money market shortages which could be relieved at interest rates of its own choosing. The EMF would be required to manage the ECU in a way that brought downward pressure to bear on inflation – by raising interest rates when inflation threatened.

Essential to these proposals was the idea that national monetary policies would continue to be carried out by national central banks. However, they would need to take account of the market effects of the EMF's actions.

Mr Leigh-Pemberton said that the British proposals satisfied the principles, widely accepted throughout the Community, which any set of monetary arrangements had to embody: regard for price stability, respect for market forces and adherence to subsidiarity.

Mr Major pointed out that the existing ECU was already widely used, particularly in international banking and financial markets. Britain had issued ECU Treasury Bills (see p 347, 1988) to the value of 3,500 million ECU.

Stage Three

As well as permanently fixed exchange rates and the adoption of a single currency, stage three entails uniform interest rates and the creation of a European central bank. The Chancellor and the Governor pointed out the wide spread of interest rates at present. This was not because different countries had different monetary policy objectives: it was because different levels of inflation required different rates of interest. The Community was not yet ready for the necessary convergence of interest rates. The British view of a European central bank is that it would be inappropriate at present. Both the Chancellor and the Governor have expressed doubts as to its independence and accountability.

Mr Major has pointed out the risks of becoming 'mesmerised' by the proclaimed necessity of a single currency. This was economically risky and would be difficult to impose on the people of 12 'very diverse and very patriotic nations'.

Summary

In summary, there are four advantages, according to Mr Leigh-Pemberton, of the EMF and a hard ECU over mere reliance on a long stage one leading to stage three. They would:

- add an extra form of counter-inflationary discipline to national monetary policy;
- 'significantly strengthen' the forces making for convergence of economic conditions in the Community;
- bring an element of collective decision-making to the ERM; and
- provide a Community-wide common currency.

The Governor said that the hard ECU could develop into a dominant common currency, creating conditions where a move to a single currency was feasible. 'But that would *not* be pre-ordained; it would be a consequence of market developments and political reaction.'

Shorter Notes

EUROPEAN CONVENTION ON ASYLUM

Britain and ten other members of the European Community have signed a new European Convention on Asylum.

Signed in Dublin on 15 June, the Convention sets objective criteria for determining which member state is responsible for examining a claim for asylum when more than one member state is involved. In general, it provides that the first country in which an asylum claim is made – or the country which controlled the entry of the asylum seeker into the Community – should be responsible for determining the claim. This would not happen, however, where other factors, such as family reunion or close associations with another country, made it sensible for the claim to be considered elsewhere. The Convention confirms that no asylum seeker will be returned before his or her claim has been considered.

The Convention is subject to ratification by Parliament. Denmark was not in a position to sign in Dublin, but the Convention remains open for signature.

Welcoming the Convention, the Home Secretary, Mr David Waddington, said that it 'reaffirms Europe's commitment to protect refugees fleeing from persecution in their own countries. This Convention will help to prevent unnecessary delays in deciding cases and put a stop to asylum seekers "in orbit" between airports of European countries when it is not clear which country should examine their claim. The Convention will also reduce the scope for abuse of asylum procedures by people who – damaging the cause of genuine refugees – make claims in a number of different countries simultaneously.'

Source: Home Office news release, 15.6.90.

ASSISTANCE TO POLAND

Britain is to assist Poland in the development of employment training, small firms, health and safety at work and employment services. This was

announced in a joint statement in Warsaw on 25 June by the Secretary of State for Employment, Mr Michael Howard, and the Polish Minister of Labour and Social Policy, Mr Jacek Kuron. Financed by the 'know-how' fund (see p 131), the programme is part of Britain's effort to help Eastern European countries move towards democracy and establish a free market economy.

Under the agreement, Britain is to provide:

1 experts to help Poland reform health and safety law and improve worker protection;

2 a programme of assistance designed to promote joint British-Polish enterprise and to develop small firms; and

3 experts to help in developing a modern employment service.

Also a Polish team will study training arrangements in Britain. Further assistance could involve the possibility of establishing centres for vocational education and training, to be based in Britain.

More than 70 projects have been approved by Britain under the 'know-how' fund for Poland, on which over £2 million was spent in 1989. These include consultancies on inward investment, financial markets and industrial restructuring; management training for Polish railways; seminars on Treasury management, export promotion, and privatisation; and management programmes on fisheries and agriculture. Other projects include courses and advice on media training (organised by the BBC World Service), local government, police training, and health.

Sources: Department of Employment news release, 25.6.90; *Hansard*, Vol 174, No 121, written answers, cols 213-14; Vol 169, No 73, written answers, cols 236-40.

Houston Economic Summit

The sixteenth annual summit of the seven major industrialised nations was held in Houston, United States, from 9 to 11 July. It welcomed the spread of democracy and freedom and pointed out the need for continued co-operation and flexibility in dealing with international economic problems. The summit declared support for those countries in Central and Eastern Europe and the developing world that were committed to reform and offered conditional assistance to the Soviet Union. It pledged support for bodies dedicated to environmental protection and the battle against drugs.

The summit was attended by the heads of State and Government of Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States, together with representatives of the European Community. The seventeenth summit will be held in London in 1991.

The issues discussed were: the world economy (including the international monetary and trading systems); reform in Central and Eastern Europe; aid to the Soviet Union; the developing countries; the environment; and drugs.

In a statement to the House of Commons on 12 July (*Hansard*, Vol 176, No 141, cols 453-5), the Prime Minister, Mrs Margaret Thatcher, said that the discussions had ranged widely and that the leaders had 'achieved important, practical results which meet the needs of the times'. The summits had made it easier to reject 'short-term soft options in favour of longer-term real solutions'. In this regard, the Prime Minister highlighted sound economic policies, freer competition, open markets and identifying at an early stage new problems, such as drugs and environmental issues, and tackling them by international co-operation.

DECLARATION

The declaration expressed an unreserved welcome for the spread of multiparty democracy, free elections and freedom of expression and assembly. It also welcomed the heightened respect for human rights and the rule of law, as well as the increasing recognition of the principles of the open and competitive economy. 'When people are free to choose, they choose freedom.'

The leaders expressed recognition of the fact that 'freedom and economic prosperity are closely linked and mutually reinforcing'. Sustainable economic prosperity depended upon the stimulus of competition and the encouragement of enterprise. In a global context, the leaders were determined to assist other peoples to achieve and sustain such freedom and prosperity. 'We will support their efforts with our experience, resources and goodwill.'

Economic Issues

International Economic Situation

The declaration stated that substantial progress had been made in recent years in promoting a stronger world economy through sound macroeconomic policies and greater economic efficiency. The economic expansion in the seven countries – now in its eighth year – had supported substantial growth in income and jobs against a background of rapidly expanding international trade. However, unemployment remained high in a number of countries while inflation, although considerably lower than in the early 1980s, was a matter of serious concern in some countries and required 'continued vigilance'. External imbalances had been reduced in Japan and the United States but had increased in other countries. Continuing adjustment remained a priority in order to counter protectionist pressures, alleviate uncertainties in financial and foreign exchange markets and contain pressures on interest rates. Sound domestic macroeconomic policies would make a major contribution to external adjustment.

Experiences of the developing countries in the late 1980s varied widely. Some – particularly in eastern Asia – continued to grow at an impressive rate. Others had stagnated or declined. Nevertheless, serious efforts to implement economic adjustment and market-oriented policies had started to yield positive results. These should be continued.

International Monetary Developments and Policy Co-ordination

The seven countries shared a common appreciation of the need for market-oriented policies and sound domestic budgetary and monetary policies. This had made a large contribution to the improved performance of the world economy and greater stability in exchange rates. It was important that this co-operative and flexible approach was continued and strengthened where appropriate. Sound policies consisted of achieving a balanced expansion in demand, increasing productive capacity, correcting external imbalances and structural rigidities, and monitoring price pressures.

Countries with large external deficits should reduce their fiscal deficits and carry out structural reforms to encourage private saving and increase competitiveness. Those with large external surpluses should permit a sustained, non-inflationary growth in domestic demand combined with structural reform and should promote increased investment relative to saving. To meet the expected growth in investment needs, all countries should foster saving.

The market-oriented restructuring of the economies of Central and Eastern Europe should stimulate their growth and increase their integration into the global economy. Within the European Community, the European Monetary System (see pp 242-3) was leading to a high degree of economic convergence and stability. During the first stage of economic and monetary union, closer surveillance and co-ordination of economic and monetary policies would contribute towards non-inflationary growth and the development of a more robust international economic system. German economic, monetary and social union (see p 169) would contribute to improved non-inflationary global growth and a reduction in external imbalances.

The declaration welcomed the progress made in the realisation of the single European market (see p 113) and in the reduction in structural rigidities in Japan and North America. However, there was still a need for further reform and liberalisation in a number of activities.

International Trading System

The open world trading system was vital to economic prosperity. A strengthened General Agreement on Tariffs and Trade (GATT) was essential in providing a stable framework for the expansion of trade and the fuller integration of Central and Eastern Europe and the developing countries into the world economy. 'We reject protectionism in all its forms.'

The successful outcome of the Uruguay Round of multilateral trade negotiations (see pp 328-9, 1986) was of the highest priority. The leaders expressed their determination to achieve substantial results in all areas by the end of 1990. In particular, they instructed their negotiators to agree on an outline of the final package by the July meeting of the Trade Negotiations Committee (TNC). They confirmed their support for the broad objectives of the negotiations:

- reform of agricultural policies;
- measures to improve market access;
- strengthened multilateral rules and disciplines;
- the incorporation of services, trade-related investment measures and the protection of intellectual property[1] within the GATT framework; and
- the integration of the developing countries into the international trading system.

With regard to agriculture, experience had shown the high cost of policies that tended to create surpluses. The GATT negotiations on agriculture should lead to a better balance between supply and demand and ensure that the effective functioning of international markets was not impeded. The leaders therefore reaffirmed their commitment to the long-term objective of agricultural reform: to allow market signals to influence production and establish a fair and market-oriented trading system. The achievement of this goal required substantial and progressive reductions in agricultural support and protection. Here, too, agreement on a framework by the July meeting of the TNC was critical to the successful completion of the Uruguay Round.

Negotiations on market access should achieve agreement on a substantial and balanced package of measures. As regards textiles and clothing, the objective was to dismantle trade barriers and to integrate the sector into GATT on the basis of strengthened GATT rules and disciplines.

The leaders sought the widest participation of developing countries in the Uruguay Round and their further integration into the multilateral trading system. To achieve this objective, developed countries were prepared to accept greater multilateral disciplines in all areas and to offer improved market access to products of interest to developing countries, such as textiles and clothing and tropical and agricultural products. For their part, developing countries should, among other things, make substantial tariff reductions and participate in the agreements covering the new areas.

The wide range of results called for would require a strengthening of the institutional framework. Accordingly, the idea of an international trade organisation should be addressed at the conclusion of the Uruguay Round. There was also a need to improve the disputes settlement process.

Direct Investment

The declaration pointed out that free flows of investment increased world prosperity. In particular, foreign direct investment could help restructure the economies of developing countries and Central and Eastern European countries, create new jobs and raise living standards. All countries should therefore seek to reduce their barriers to investment and resist protectionist pressures to discourage or discriminate against such investment. The multilateral economic agencies should foster investment liberalisation.

Export Credits

The declaration expressed a welcome for the negotiations in the Organisation for Economic Co-operation and Development (OECD) – to be completed by spring 1991 – aimed at reducing the incidence of distortions to aid and trade brought about by officially supported export credits. It was also important to avoid introducing distortions in financial flows to Central and Eastern Europe.

Reform in Central and Eastern Europe

The declaration said that the seven states and other countries should assist those nations that were 'firmly committed to economic and political reform', with help being given to countries that were implementing such reforms. The leaders also invited the OECD to consider a closer relationship with those countries committed to political and economic reform.

[1] Patents, designs, trade marks and copyright.

Foreign private investment would be vital in their development, the declaration continued. Capital would flow to countries with 'open markets and hospitable investment climates'; however, improved access for their exports would also be important through trade and investment agreements and other means. A positive step was the decision by the Co-ordinating Committee for Multilateral Export Controls (COCOM) to liberalise export control (see p 252). It would also be important to assist those Central and Eastern European countries to develop the necessary policies and infrastructure to confront environmental problems.

The Soviet Union

On assistance to the Soviet Union, the declaration said that technical assistance should be provided 'to help the Soviet Union move to a market-oriented economy and to mobilise its own resources'. However, the declaration pointed out that further Soviet decisions to introduce more radical economic reforms, to shift resources substantially away from the military sector and to cut support to nations promoting regional conflict would 'improve the prospect for meaningful and sustained economic assistance'. The leaders also agreed to ask the International Monetary Fund (IMF), the World Bank, the OECD and the new European Bank for Reconstruction and Development (see p 209) to undertake, in close consultation with the European Commission, a detailed study of the Soviet economy, to be ready by the end of 1990. This would make recommendations for its reform and would establish the criteria under which Western economic assistance could effectively support these reforms.

The Developing Nations

The leaders stressed that their support for the reforming countries of Central and Eastern Europe would not weaken their commitment to the developing world. The International Development Association (see p 303, 1988) would maintain its development lending to the poorest countries. By sustaining economic growth and price stability, the advanced industrialised countries could provide growing markets and sources of capital for the developing countries. They should assist those developing countries undertaking political and economic reform with technical and financial support. Open, democratic and accountable political systems were important to the effective and equitable operation of market-oriented economies.

The leaders believed that the liberalisation of investment regimes and the protection of intellectual property would help to achieve a more hospitable investment climate. Liberalisation should incorporate transparent and equitable investment rules and equality of treatment for foreign and domestic investors.

Recognising that sustainable development required a balance between population and resources, the leaders identified improved educational opportunities for women and their greater economic integration as significant elements in population stabilisation programmes.

Third World Debt

The leaders noted the recent commercial bank agreements with a number of developing countries involving significant debt and debt-service reduction.[1] The IMF, the World Bank and Japan were providing important financial support for the reduction of the debt of developing countries. In order to bolster medium-term IMF-sponsored economic reform, the Paris Club (see p 299, 1988) would provide adequate debt restructuring agreements, particularly through rescheduling and the lengthening of repayment periods. Confidence in debtor economies had improved as a consequence of the combination of debtor reform and commercial bank debt reduction.

Commercial banks should take a realistic and constructive approach in negotiating debt and debt-service reduction with countries and undertaking reform programmes. Creditor nations would maintain contributions to the international financial institutions and the provision of new finance. The participants welcomed French moves to alleviate the debt burden of sub-Saharan Africa and similar Canadian measures to help Caribbean countries.

The Environment

The leaders agreed that, with the environment threatened by irreversible damage, 'lack of full scientific certainty is no excuse to postpone actions which are justified in their own right'. Strong market-oriented economies provided the best means for environmental protection. The leaders affirmed a commitment to the work of the Intergovernmental Panel on Climate Change (see p 222). The Second World Climate Conference, to be held in October and November 1990, would provide an opportunity for all countries to consider strategies for limiting greenhouse gas emissions. The leaders reiterated their support for the negotiation of a global framework for climate change under the auspices of the United Nations Environment Programme and the World Meteorological Organisation. Priority had to be given to energy efficiency and the development of alternative energy sources, such as nuclear power.

Pollution

The amendment to the Montreal Protocol (see pp 256-8) to phase out chlorofluorocarbons (CFCs) by the year 2000 was welcomed, as was the announcement that some major developing countries would consider adhering to the Protocol. A comprehensive strategy to combat land-based sources of marine pollution should be developed; efforts to avoid oil spills would be continued.

Forests

The leaders were 'determined to take action to increase forests, while protecting existing ones and recognising the sovereign rights of all countries to make use of their natural resources'. They supported the commitment of the new Brazilian Government to help arrest deforestation, and called for the International Tropical Timber Organisation action plan to be enhanced so as to emphasise sustainable forestry. The leaders were ready to begin

[1]For further information see COI reference paper *Britain and International Debt Relief*, No 313/90.

negotiations on a global forest convention to curb deforestation and stimulate positive forestry; such a convention should be completed no later than 1992.

Co-operation

Increasing action should be taken to reverse the destruction of ecologically sensitive areas. The leaders pledged themselves to expand co-operation to combat desertification, expand projects to protect biodiversity, protect the Antarctic and assist developing countries in their environmental work. Collaboration between developed and developing countries was essential to the resolution of global problems; widespread agreement on common action could be reached at the 1992 United Nations Conference on Environment and Development. The leaders recognised that 'developing countries will benefit from increased financial and technological assistance to help them resolve environmental problems . . . aggravated by poverty and underdevelopment'. They called for the strengthening of multilateral development bank programmes to provide greater protection for the environment. The role of the World Bank in providing a co-ordinating role for environmental protection measures would also be examined. Expanded co-operative analysis of the environment was needed and it was important to involve the private sector in developing answers to problems.

Drugs

The declaration urged all nations to accede to, and complete ratification of, the Vienna Convention on illicit traffic in drugs. It supported the declaration adopted at the World Ministerial Drugs Summit in London in April (see pp 186-7) that the reduction in drug demand should be accorded the same importance as the reduction in illicit supply.

The leaders committed their countries to the full implementation of the recommendations of the Financial Action Task Force on Money Laundering (see pp 190-1). The Task Force should be reconvened for a second year and its report completed before the next summit. All countries were invited to participate in the fight against money laundering.

The declaration called for a similar task force to be created to prevent the diversion of chemicals to the manufacture of illicit drugs. The leaders recognised the importance of supporting those countries engaged in the battle against drug trafficking. Heroin was regarded as the most serious threat in many countries. All nations should therefore take vigorous measures to combat this 'scourge'.

Industrial Innovation and Finance

A conference in London on 25 June, sponsored by the Department of Trade and Industry, considered whether industrial research and development was being inadequately funded because of the weight given to short-term considerations by Britain's capital markets, where research is sometimes regarded as an avoidable cost. Addressing the conference, the then Secretary of State for Trade and Industry, Mr Nicholas Ridley, urged greater communication between industry and its sources of investment in the City of London. He stressed the range of factors which affected the competitive performance of British companies.

The conference received a report[1] from the Innovation Advisory Board of the Department of Trade and Industry which shows that Britain's civil research and development (R & D) expenditure from 1975 to 1987 did not keep pace with that of other countries. The report offers case studies of the role of innovation in the performance of companies.

Innovation

In his speech, Mr Ridley acknowledged the importance of the relationship between industry and the financial markets, given that R & D funding led to innovation, which was vital for profitable and sustainable growth. Innovative investment had to be targeted to production and market objectives viewed over the long term.

Mr Ridley said that he saw a danger in the current preoccupation with the financial markets' alleged emphasis on short-term considerations in the provision of investment capital. There were many other factors within business which influenced long-term performance apart from financial factors. These included the attitudes of both managers and their workforces and the relative costs of labour, raw materials, land and taxes.

It was vital, Mr Ridley continued, that the culture in which businesses operated should value wealth creation and that there should be a stable, non-inflationary environment. Britain had been prone to short periods of high inflation which had weakened business confidence and had fostered short-term attitudes. The defeat of inflation remained the first priority of the Government's economic policy. He noted that concern about an inadequate expenditure on science and technology for good company performance was not new. However, investigations had found less than compelling evidence for the existence of 'short-termism'.

Industrial Performance

Mr Ridley stressed that the marked improvement in Britain's industrial performance during the 1980s should not be ignored. Key features of the recovery included record levels of exports; a stabilised share of world manufacturing exports; manufacturing productivity and output growing on average at more than 5 per cent and 3 per cent a year respectively; business investment growing on average at more than 7 per cent a year; an increase in the real value of manufacturing profitability; and a substantial increase in industry-based R & D.

'Short-termism'

Mr Ridley outlined the theory of 'short-termism' in financial markets. It was held that the financial institutions, owning a majority of shares in publicly quoted companies, were primarily concerned with

[1] *Innovation and Growth*. The Innovation Advisory Board, Department of Trade and Industry. Available free from the Innovation Advisory Board, Ashdown House, 123 Victoria Street, London SW1E 6RB.

their own performance. Believing this to be true, the companies in which they invested concentrated on short-term profitability, the maintenance of share prices and generous dividends, giving low priority to expenditure which would benefit in the long term. It was also suggested that senior company managers spent too much time trying to avoid takeover bids and that their financial analysts had no knowledge or interest in topics related to innovation.

Mr Ridley recognised that a belief in such attitudes was common, but said that well-managed companies tended not to express such concerns. He pointed to studies which suggested that profitability had been the main determinant of R & D expenditure, rather than anxiety about short-term priorities among the financial markets. A record of profitable innovation would attract greater confidence in the long-term prospects of a company, and in turn, more R & D investment. Mr Ridley saw no conclusive evidence for the importance of 'short-termism' for company performance. He viewed it as less important than the attitudes and practices of industry itself.

Mr Ridley said that it was clear that there were communication difficulties: financial analysts complained of a lack of information about innovation strategies from companies, and companies complained of a lack of detailed strategic investment appraisal from analysts who did not appreciate the significance of longer-term investments. It had also been suggested that existing methods used to assess the performance of managers, including quarterly performance assessments in some large financial institutions, fostered short-term attitudes.

There were, said Mr Ridley, several areas to consider in seeking remedies to these problems.

Takeovers

Mr Ridley did not favour taking action to protect incumbent managements by discouraging takeovers. Although he was determined to act to prevent intended mergers which seemed likely to threaten competition, he was unwilling to act in any way which would weaken the discipline of the market over incumbent management. It was not his policy to discourage mergers.

Tax

The imposition of a tax on short-term capital gains, or of some sort of transaction tax, had been proposed to reduce the rate at which shares were bought and sold, thus inducing greater stability in trading. The Government's policy had been to reduce the costs of transactions and to avoid excessive paperwork. Mr Ridley had strong doubts about the practicality of such taxes, as he also did about the offering of any kind of incentive for longer-term shareholding.

Information

Industrial companies, said Mr Ridley, should put far more emphasis on the long-term aspects of their strategies in talking to investors. The City of London, for its part, should make its analysts sufficiently aware of the importance of innovation, especially technological, so that they might assess accurately what they were told.

Corporate Control

Worries had been expressed that shares were dealt in by shareholding institutions with too little concern for, or interest in, management and its plans. The threat of takeover was a blunt instrument, but Mr Ridley saw little that could begin to take its place as a corrective for inefficient management. He suggested that shareholder committees among the institutions, non-executive directors and rights of appointment and majority board appointments for major shareholders were all remedies worth consideration.

Accounting Information

There were questions of definition and disclosure bearing on the way companies were assessed and valued. Mr Ridley said that this was a matter more for industry and the accounting profession than for the Government. The application of existing accounting standards to cover 'intangible investment' as well as R & D development was one possibility, as was the creation of a British R & D 'scoreboard', which would record relative levels of investment.

Fund Management

Mr Ridley hoped that the financial institutions and the trustees to whom they were accountable would consider giving more weight to longer-term performance. It was questionable whether frequent adjustments of equity portfolios led to better than average performance. The trustees of the pension funds of industrial companies and other organisations needed to be satisfied that their objectives correctly balanced long- and short-term priorities, that their fund managers were given instructions which reflected such priorities and that performance was judged accordingly.

Channel Tunnel Rail Services

The Government has announced that it will not subsidise the construction of a fast rail link to the Channel Tunnel. The Secretary of State for Transport, Mr Cecil Parkinson, has, however, confirmed that British Rail will be spending over £1,000 million in the period up to 1993 on improving passenger and freight services for the Channel Tunnel.

Background

The Channel Tunnel, currently being constructed between Folkestone (Kent) and Sangatte in northern France, is scheduled to open in 1993 (see pp 58-63 and 235-6, 1986, and p 280, 1987). A new, fast passenger rail link to the Tunnel was proposed by British Rail (BR) as a result of its traffic forecasts, which suggested that the capacity of existing lines might be exceeded before the end of the century (see pp 159-60, 1989). BR published its original route proposals in March 1989; a modified route was published in September 1989. In November 1989 BR proposed a joint venture with a private sector partner, Eurorail Ltd, a consortium of Trafalgar House and BICC (see p 478, 1989). The joint

venture proposal was for a fast link to be constructed as far as Swanley on the North Downs in Kent and for existing rail corridors to be used into London. The proposal involved considerable financial support for the commuter services to north Kent that would also have used the line; state subsidies to the international rail services would have been prohibited by Section 42 of the Channel Tunnel Act 1987.

Government Announcement

Making a statement in the House of Commons on 14 June (*Hansard*, Vol 174, No 121, cols 482-4), Mr Parkinson said that the Government had agreed with BR and Eurorail not to proceed with the current joint venture proposals. Despite the identification of measures by the joint venture that would substantially improve its commercial prospects, it would still require considerable financial support:

1 a capital grant of £500 million towards the use of the line by commuter services;

2 BR investment of £400 million, which would mainly be in commuter terminals; and

3 a low-interest deferred loan of £1,000 million, which in the case of default would rank below all other creditors.

Such support involved a substantial risk to the taxpayer and was therefore unacceptable. In the light of this decision, BR and Eurorail had agreed that there was no basis for carrying the project forward in the private sector at the present stage.

Investment in Rail Services

Mr Parkinson detailed the large investments that were being made in passenger services, freight services and road links for the Channel Tunnel during the period up to 1993. These would include:

1 new high-speed passenger trains to run in Britain, France and Belgium;

2 track improvements between London (Waterloo) and Folkestone;

3 new electric freight locomotives to haul freight at the same speed as on the continent;

4 freight depots for every region; and

5 more than £600 million on tunnel-related road schemes.

He said that passenger trains would link London with Paris in 3 hours and London with Brussels in 2 hours 45 minutes. The investment by BR of more than £1,000 million in services for the Tunnel would be the largest individual investment in British railways this century.

Future of the Link

Mr Parkinson emphasised that forecasts of the growth of passenger demand showed that extra capacity would eventually be required, and that BR wished to proceed with the project as soon as it was viable. He was not satisfied, however, that the present proposals were the best solution; he was therefore asking BR to complete its studies of alternative routes from the North Downs to Waterloo and King's Cross. These would include a report commissioned by BR into alternative proposals for routes to King's Cross via Stratford (east London). There was broad agreement on the right corridor for the new line between the Channel Tunnel and the North Downs. It was therefore necessary to consult further on the engineering details, and a full environmental report would be published. However, it was appropriate for him to consult BR and the local authorities about 'safeguarding'[1] that section of the route. Mr Parkinson said that such a major civil engineering scheme was bound to cause concern to local residents. 'We owe it to them to minimise the uncertainty and to see that, where they suffer financial loss, there is proper compensation.' BR's compensation scheme would continue to apply for the whole route as published in September 1989.

The Secretary of State concluded that there were many other needs for improvements in transport infrastructure. The Government's aim was a balanced transport policy which allocated investment where it would bring the greatest benefit. 'Within that framework we have approved the largest railway investment programme for over 25 years, the largest [London] Underground programme for over 20 years . . . and approaching £2,000 million worth of investment in the infrastructure to service the Channel Tunnel.'

New LINK Programmes

Three new programmes under the LINK scheme have been announced, in Transport Infrastructure and Operations, in Asymmetric Synthesis and in Crops for Industrial Use.

Transport Infrastructure and Operations

This programme is aimed at accelerating technology transfer from the science base to contractors and firms involved in traffic management, vehicle and road safety, and road construction and maintenance. The programme will promote research concerning all modes of transport but in particular:

- on road safety measures, especially in urban areas;
- into traffic detection, control, guidance, communication and management to use available road space efficiently;
- on developments to ease the environmental effects of transport systems, such as noise, vibration and atmospheric pollution; and
- to evolve systems of construction and maintenance designed to minimise the life-cycle costs of carriageways.

The Department of Transport will contribute £4·1 million and the Science and Engineering Research Council (SERC) £1·8 million to the five-year programme. These contributions will together make up the government half of the programme's funding.

[1]This can be done either by provision in a local authority's development plan or by means of a direction from the Secretary of State for Transport. In either case, the local planning authority would have to consult BR about any planning application that impinged upon the safeguarded zone.

Asymmetric Synthesis

'Asymmetric synthesis' refers to the synthesis of chemical compounds which can exist in two mirror-image forms, so that only one form is produced. Often the two forms have significantly different chemical or biological properties: for example, only one of the mirror-image forms of the drug thalidomide was responsible for producing birth defects. Government funding of £3·5 million for the five-year programme will be shared between the Department of Trade and Industry (DTI) and the SERC. The programme will focus on five areas of research:

- new reagents and catalysts for asymmetric synthesis;
- fundamental understanding of key reactions;
- new routes for asymmetric carbon-carbon formation;
- new asymmetric oxidation and reduction reactions; and
- enabling technology for larger-scale asymmetric synthesis.

A total of 47 industrial and 13 science-base organisations have indicated interest in the programme.

Crops for Industrial Use

The programme on Crops for Industrial Use is being led by the Agricultural and Food Research Council (AFRC). Its aim is to help reduce imports and overcome some environmental problems associated with the disposal of crop residues such as straw. The programme will also provide the basic scientific information that could help British industry make profitable use of valuable biological raw materials that are at present thrown away and help farmers use land that has been taken out of food production under the set-aside scheme (see p 115). The programme will deal mainly with annual and short-rotation crops, and with non-food industrial uses such as those relevant to the paper and pulp, construction materials, animal feeds and plastics industries. Topics will include:

- properties of plant fibres;
- crop fractionation – for example, splitting wheat straw into components suitable for different industrial uses;
- chemical and enzymic treatment of crop components and by-products;
- manipulation of cereal starch – for example, in the development of biodegradable plastics; and
- new oils from oil-seed crops – for example, by genetic manipulation to increase the supply of industrially useful fatty acids.

As well as the AFRC, the Ministry of Agriculture, Fisheries and Food, the Department of Agriculture and Fisheries for Scotland, the SERC and the DTI will also contribute to the government funding of £3 million for the five-year programme.

Background

The LINK scheme, which is designed to bridge the gap between scientific research and commercial applications of its results by promoting collaboration between industry and publicly funded scientists, was launched in December 1986 (see pp 29-30, 1987). The first five programmes were approved in January 1988 (see pp 70-1, 1988). The present programmes bring the number announced by mid-July 1990 to 24, with a total projected expenditure of some £309 million of which the Government will contribute half.

Shorter Notes

FREEZONES

The performance of Britain's freezones has been evaluated in a consultants' report commissioned by HM Treasury and published on 7 June. Six freezones were designated on an experimental basis in 1984 (see p 66, 1984). They are areas in which goods of foreign origin may be stored without payment of British import duties or value added tax (VAT). Thus, where goods are then removed to the home market, the payment of import duties and VAT will have been postponed; where goods are re-exported, these payments will have been avoided altogether.

The report concluded that, in terms of commercial benefits, three freezones had failed: Belfast and Cardiff had not attracted users and had never traded, while Prestwick had attracted only one user and had ceased trading in 1986. Trade passing through the other three had expanded rapidly although it still represented only a tiny proportion of total British trade. Liverpool and Southampton were now profitable, having incurred losses in their early years. Liverpool was growing rapidly in terms of both trade and investment. Southampton was constrained by its site and buildings, which it had outgrown, but was seeking a new location, with a view to expansion. West Midlands (based on Birmingham), in contrast, had been considerably reduced in size because of difficulty in attracting sufficient users but was now operating at full capacity.

In terms of wider, public benefits, freezones had probably attracted very little additional activity to Britain. The deregulatory benefits could not be measured but were likely to have been positive. In addition, Liverpool had brought extra activity, jobs and investment to the city although it seemed likely that most of this would otherwise have been located elsewhere in the North West. The cost to the public sector of freezones had been low and was likely to become lower if they expanded.

The report suggested that freezones were likely to have significant further potential beyond the limited public benefits so far produced. The failure of some freezones was probably due in part to unfavourable location. The chances of attracting additional activity to Britain would probably be maximised if one or more freezones were located in a major port on the east or south coast.

The then Economic Secretary to the Treasury, Mr Richard Ryder, announced in the House of Commons on the day of publication that the Government was offering an extension of designation, of ten years from August 1991, to the Liverpool, Southampton and West Midlands freezones. In addition, the Government intended to announce later in 1990

criteria against which further designations would be considered. Applications from potential operators would then be invited. In the light of the report, the Government would be making certain technical improvements to the freezone regime.

Sources: *Freezones: An Evaluation of the UK Freezones Experiment 1984-1989*. Available from HM Treasury Publishing Unit, Parliament Street, London SW1P 3AG. £5. ISBN 0 947819 28 2; *Hansard*, Vol 173, No 117, written answers, cols 708-9.

EFFECTS OF TAXES AND BENEFITS ON HOUSEHOLD INCOME 1987

Details of household income in 1987, based on the *Family Expenditure Survey* for that year (for publication details see p 335, 1989), show that average original income per household was £10,900. Cash benefits amounted to £1,910, giving gross income of £12,820. Deduction of direct taxes and employees' National Insurance contributions of £2,740 left disposable income of £10,070. Indirect taxes amounted to £2,050 so that post-tax income was £8,030. With benefits in kind valued at £1,670, final income came to £9,700 (rounding accounts for differences between totals and the sum of component parts).

An innovation in the latest analysis is the concept of equivalisation, whereby household income is adjusted to allow for household size and composition. (A household of five adults, for example, needs a higher income than a single person living alone in order to achieve the same standard of living.)

Ranked by equivalised disposable income, the top 20 per cent of households had an average original income of £25,470 and a final income of £17,660. The corresponding figures for the bottom 20 per cent were £1,220 and £4,820. The top 20 per cent of households paid an average of £6,400 in direct taxes and employees' National Insurance contributions; the corresponding figure for the bottom 20 per cent was £580.

The extent of income redistribution brought about by the tax-benefit system can be seen by comparing shares of original and post-tax income. Ranked by equivalised disposable income, the top 20 per cent of households accounted for 50 per cent of original income and the bottom 20 per cent for 2 per cent. The corresponding shares of post-tax income were 43 per cent and nearly 8 per cent.

Source: *Economic Trends*, May 1990. Central Statistical Office. HMSO, £10. ISBN 0 11 620407 9.

FUTURES MARKETS MERGER

The London International Financial Futures Exchange (LIFFE) and the London Traded Options Market (LTOM) will merge by the end of 1990 to form a new exchange to be called the London Derivatives Exchange, with a single board and unified management. At the beginning of 1992 the new exchange will move from separate trading floors, at the Royal Exchange (LIFFE) and the Stock Exchange (LTOM), to share a single floor at the Cannon Bridge development at Cannon Street Station, London.

Fifteen financial futures and options contracts are traded on LIFFE at present, with an average daily volume of 145,000. On LTOM, 66 equity options are traded along with two options on the Financial Times-Stock Exchange 100 index, and the average daily volume is some 34,000. The London Derivatives Exchange will be the largest futures and options exchange in Europe, the largest outside the United States and the fifth largest in the world.

Source: LIFFE news release, 2.7.90.

STRATEGIC EXPORTS

Controls on exports laid down by the Co-ordinating Committee for Multilateral Export Controls (COCOM)[1] have been relaxed. Mr William Waldegrave, Minister of State for Foreign and Commonwealth Affairs, announced on 15 June that the COCOM meeting in Paris on 6 and 7 June had agreed a British proposal for the establishment of a 'core' list of items of essential strategic significance, to be applied to all proscribed destinations. Thirty items had been deleted from the existing list and work would continue to identify further candidates for deletion. Significant revisions had also been agreed in the controls on machine tools, computers and telecommunications. An interim export control regime had been established for the German Democratic Republic. All changes took effect on 1 July.

Source: *Hansard*, Vol 174, No 123, written answers, col 384.

EXPORT AWARD FOR SMALLER BUSINESSES

The export achievements of five small British firms have been recognised with the 1990 Export Award for Smaller Businesses, announced in London on 25 June. Certificates of merit under the scheme were announced for a further 12 companies.

Award winners, chosen from 228 eligible entrants, were:

1 Europa Manor Engineers, makers of domestic greenhouses, of Chipping Warden, Oxfordshire.

2 Harker & Sons (Engineers), suppliers of components for the aerospace and related industries, of Stockton-on-Tees, Cleveland.

3 Lola Cars, suppliers of advanced-technology racing cars, of Huntingdon, Cambridgeshire.

4 J McIntyre (Non Ferrous), recyclers of scrap metal, of Nottingham.

5 Quayle Dental Manufacturing, makers of dental equipment, of Worthing, West Sussex.

[1]COCOM is an informal body of countries of the North Atlantic Treaty Organisation except Iceland, plus Australia and Japan, and was established in 1950 to control the export of strategic equipment, including atomic energy material, munitions and industrial goods of potential military use.

The Export Award is sponsored by the British Overseas Trade Board, which is the export promotion arm of the Department of Trade and Industry; *Kelly's United Kingdom Exports,* a Reed Information Services publication; Price Waterhouse, chartered accountants and business advisers; Thomas Cook Travel Management; and Midland Bank, which also administers the scheme.

This year's Award, the twenty-first made, was open to small firms in the manufacturing and service sectors with up to 200 employees. They were required to have shown a sustained increase in export earnings over their two most recent financial years in the period up to December 1989. Export earnings had to have exceeded £100,000 in the second year.

Source: Export Award for Smaller Businesses news release, 25.6.90.

BRITISH AEROSPACE AND ROVER

On 28 June the then Secretary of State for Trade and Industry, Mr Nicholas Ridley, informed the House of Commons of the decision reached the previous day by the European Commission regarding British Aerospace (BAe) and Rover. This followed the Commission's review of the arrangements reached with BAe over the sale of the government shareholding in the Rover Group in 1988 (see p 283, 1988).

Mr Ridley said that the Commission had concluded that £150 million had represented a reasonable purchase price for the company. It wished the Government to provide an undertaking that any arrangement between BAe and the Inland Revenue would not allow the Rover Group to use more than the £500 million of trading tax losses specified in the sale agreement with BAe, and that those losses would remain within the Rover Group. He was happy to give such an undertaking.

Clarification would be sought from the Commission regarding its requirement that BAe should automatically be required to pay financial penalties if there were any change in control of the Rover Group before July 1993. The Commission also required that the grant of £1·5 million paid towards the Rover Group's costs in the acquisition and the £9·5 million contribution towards BAe's costs in buying out the minority shareholders should be repaid. Finally, the Commission concluded that the benefit to BAe of deferring payment from July 1988 to March 1990 of the £150 million for the Rover Group should similarly be repaid. In relation to this deferral, the Commission had concluded that BAe should be required to repay £33·4 million, calculated as the estimated gross interest saving to the company. Mr Ridley said that such a repayment should be assessed net of tax, and he thus estimated the equivalent post-tax benefit to be £22 million. The matter of tax relief on the figure of £33·4 million would need to be settled between BAe and the appropriate tax authorities and perhaps ultimately in the courts.

Mr Ridley said that the Commission had noted that expenditure of aid agreed in 1987 (see p 106, 1987) for restructuring of the Leyland Daf commercial vehicle operation had been slower than expected. Accordingly, the Commission had suggested that up to £40 million of this might eventually have to be repaid. At present, however, this was a speculative figure.

Mr Ridley said that the Government supported the Commission's efforts to bring all state aids within the European Community under control, as they were beneficial to the development of the single European market (see p 113). In this context, the present decision of the Commission in respect of the arrangements concluded in 1988 for the sale of the Rover Group to BAe would be accepted.

Source: *Hansard,* Vol 175, No 131, cols 510-11.

SALE OF GIROBANK

The then Parliamentary Under-Secretary of State for Industry and Consumer Affairs, Mr Eric Forth, announced in the House of Commons on 2 July that the sale of Girobank by the Post Office to the Alliance and Leicester Building Society had been completed. Following the original announcement that Girobank would be sold (see p 212, 1988), and a competitive bid process, the Post Office had agreed in April 1989 to sell Girobank to the Alliance and Leicester for £130 million, subject to certain adjustments. After these adjustments to the sale price, principally in respect of the difference between book and market values of Girobank's holdings of government stocks, the proceeds received by the Post Office would amount to £111·9 million. This comprised the repayment of Girobank's subordinated debt, issued to it by the Post Office, of £39 million and payment by the Alliance and Leicester of £72·9 million for the equity. Mr Forth said that he was confident that both the customers and the staff of Girobank would benefit from its new position in the private sector.

Source: *Hansard,* Vol 175, No 133, written answers, col 427.

ANIMAL WELFARE

Recommendations by the Farm Animal Welfare Council – set up in 1979 to keep under review farm animal welfare in Great Britain, on agricultural land, at markets, in transit and at slaughter, and to advise the Government on legislative changes – have resulted in two sets of regulations which have been laid before Parliament. The first provides further safeguards for the welfare of animals and poultry at slaughter (see p 384, 1987, and p 117). Among them are the immediate use of upright pens for religious slaughter and their mandatory use after 5 July 1992; requirement of a device to permit more accurate stunning; improved stunning practices; sufficient space for animals in lairages; and restricted use of electric goads in slaughterhouses.

The Welfare of Livestock Regulations give legal force to provisions on lighting, buildings, feeding, watering, and bedding. In addition, they seek to ensure that stock keepers and those attending live-

stock are fully conversant with the provisions of the welfare codes. The regulations prohibit electro-immobilisation of farm animals except as part of a licensed scientific procedure.

In a statement in the House of Commons on 28 June on the trade in live exports, the Minister of Agriculture, Fisheries and Food, Mr John Gummer, said that there were detailed controls to ensure that animals left Britain rested, fed and watered, and inspected. The Government would seek to maintain proper welfare standards under the proposed European Community measures relating to the transport of animals. He stressed that the movement of live animals was in accordance with Community law and that the animal welfare problem had to be solved not only in Britain but throughout the Community. 'If we do not raise standards throughout Europe', he said, 'we shall make changes at home . . . only to find that the situation is worse in the rest of the continent.'

Sources: Ministry of Agriculture, Fisheries and Food news releases, 14.6.90 and 21.6.90; *Hansard*, Vol 175, No 131, cols 479-80.

NATIONAL NUTRITION SURVEY

The survey, costing £1 million and undertaken in 1986-87 by the Ministry of Agriculture, Fisheries and Food, the Department of Health and the Office of Population Censuses and Surveys, is the most detailed to be issued of the diet and health of adults in Great Britain.

A total of 2,197 people, aged between 16 and 64, completed a full seven-day dietary record – 70 per cent of the eligible sample. A 24-hour urine collection was made by 77 per cent of the people who co-operated with some aspect of the survey, and 76 per cent of respondents aged 18 to 64 gave a blood specimen.

The survey notes that although average calorie intakes are below current recommendations, especially for women, a high proportion of people are overweight. Some 12 per cent of women and 8 per cent of men are obese, compared with 8 and 6 per cent respectively in 1980. Only about one-third of respondents are in the desirable range for blood cholesterol levels (a risk factor in cardiovascular disease). The Government has recommended that individuals should restrict their fat and saturated fatty acid intakes, but over 85 per cent of respondents are eating more than the recommended levels. Even though the survey finds that men eat more dietary fibre than women, the proportion of fibre in their diet is lower than for women.

Intakes of vitamins are well above current recommendations in all age groups, states the survey, as are men's iron intakes. However, for women the average intakes of iron from food are below the recommended levels; 4 per cent of all women are anaemic. Women are more likely to take vitamin and mineral supplements than men. People who take food supplements tend to be those who have the highest mineral and vitamin intakes from food alone. Multivitamins (with or without iron), fish liver oils and vitamin C are the most common supplements taken.

Three-quarters of the men and two-thirds of the women drank alcohol during the survey week: those over 50 had the lowest intakes, while men had intakes three to four times higher than women. Those in work, says the survey, are more likely than those not working to drink. Men living in Scotland and in the north of England who drink have higher intakes then men in other parts of Great Britain. Men who are heavier drinkers are also likely to have higher blood pressures than non-drinkers or light drinkers, and higher blood pressures in both men and women are associated with overweight and obesity. Approximately two-thirds of the total responding sample describe themselves as non-smokers. Women who smoke are more likely to be light smokers (fewer than 20 cigarettes a day) than men (22 per cent and 17 per cent respectively).

Sources: *The Dietary and Nutritional Survey of British Adults*. Janet Gregory, Kate Foster, Hazel Tyler and Martin Wiseman. Office of Population Censuses and Surveys – Social Survey Division. HMSO, £40. ISBN 0 11 691300 2. Ministry of Agriculture, Fisheries and Food, Department of Health and Office of Population Censuses and Surveys news release, 14.6.90.

ENVIRONMENTAL, SOCIAL AND CULTURAL AFFAIRS

Homelessness

The Government has announced plans to provide emergency shelters for people sleeping rough on London's streets, as well as other measures to help single homeless people, at a cost of over £15 million.

Single Homeless People

In a statement to the House of Commons on 22 June (*Hansard*, Vol 174, No 127, written answers, cols 740-2), the Minister for Housing and Planning, Mr Michael Spicer, said that the strategy had been devised following a review of single homelessness and talks with voluntary agencies working in London and other European cities. The problem of people sleeping rough, which had begun to affect major cities throughout the Western world, had developed for complex reasons, in particular the break-up of families and other social ties. This was placing substantial new pressures on hostel accommodation, despite a government initiative which had created nearly 25,000 hostel places since 1981.

Mr Spicer said that in the past most hostel dwellers had moved on to other accommodation in the private sector, and they would continue to do so. The Government was already encouraging householders to offer lodgings and had introduced policies to help revitalise the private rented sector. However, the Government was bringing forward a special programme to provide additional subsidised accommodation for single homeless people. This would take the form of direct-access accommodation for people on the streets, and of 'move-on' accommodation to provide longer-term housing for those in hostels. Police officers would direct those who needed it towards the new accommodation. A total of £15 million would be made available for these initiatives in 1990-91. This would be in addition to the £250 million package for housing homeless families announced in November 1989 (see pp 25-7 and 151-2) and the £2 million in 1990-91 for voluntary bodies who provide advice and help for the homeless.

Mr Spicer said that success would depend upon the co-operation of local authorities and the voluntary bodies working with the single homeless. The Government had already held informal preliminary discussions with the voluntary bodies and would be talking to them and the London boroughs about the provision of both direct-access and move-on accommodation. It was essential, he continued, that the Government should 'ensure that any additional accommodation provided is well-directed and meets acceptable standards but that we do not create a magnet to attract more people into sleeping rough'.

The Government also intended, said Mr Spicer, to discuss with voluntary groups the possibility of creating a special fund to enable people living in hostels to find a deposit in order to gain access to rented accommodation. He hoped that voluntary groups would co-operate in providing more counselling for people who had been sleeping on the streets. The Government was determined that there should be 'no excuse' for sleeping out on the streets: 'sleeping rough is unacceptable. It is unhealthy and often dangerous. We must see an end to the concentrations of people sleeping out in city centres.'

Young People

A further announcement was made in the House of Commons on the same day (*Hansard*, Vol 174, No 127, written answers, cols 752-3) by the Secretary of State for Health, Mr Kenneth Clarke, who unveiled a five-point plan to address the problem of young people sleeping rough:

1 £200,000 over three years to the Children's Society, to fund a short-stay refuge for homeless young people;

2 £250,000 to establish a number of projects to help young people who are homeless outside London;

3 guidance to local authorities on how to fulfil their responsibilities under the Children Act 1989 (see pp 207-9, 1989) towards young people leaving care;

4 £118,000 to 'First Key', a voluntary organisation which will provide advice on young people leaving local authority care; and

5 the commissioning of research from Leeds University on approaches to policy and practice on young people leaving care.

Mr Clarke said that young people who arrived in London without adequate support had to have somewhere to go where they could get help and advice in a safe place, and where efforts could be made to assist their return home. The Government had for some years provided funding for the Children's Society's London refuge; the further grant would enable it to run a short-stay annexe. He also wanted to develop work with young people outside London who were at risk of becoming roofless and possibly heading for the capital. He added that a

significant proportion of young runaways appeared to have been at some time in local authority care. Consequently, there was scope for improving the arrangements that local authorities made for children in their care, and especially for those leaving their supervision.

The Department of Health was initiating a number of measures to assist two particularly vulnerable groups of homeless people – the young and the mentally ill. Details of a programme for the latter, likely to cost more than £5 million over two years, were announced by Mr Stephen Dorrell, Parliamentary Under-Secretary of State at the Department of Health, on 12 July. The programme included:

1 short-term hostel places in central London specially designed to meet the needs of the mentally ill;

2 new community-based psychiatric teams in three health regions in the Thames area to make contact with the mentally ill homeless; and

3 sufficient permanent housing to enable people to move out of short-term hostels.

Mr Dorrell said that the initiative was a 'helping hand to those who are mentally ill and find themselves living in the squalor of "cardboard city".'

Ozone Layer

The outcome of the second meeting of parties to the Montreal Protocol, held in London under British chairmanship, represented a historic global environmental achievement, according to the Secretary of State for the Environment, Mr Chris Patten. Agreements to strengthen protection for the ozone layer were agreed, with Britain pledging a substantial sum to help developing countries tackle ozone depletion. Reports on ozone and chlorofluorocarbons have also been published recently.

The conference represented the second meeting of the parties to the Montreal Protocol on Substances that Deplete the Ozone Layer, which was agreed under the auspices of the United Nations Environment Programme (UNEP) in 1987 (see pp 329-30, 1987). Prior to the London meeting, the Protocol required that chlorofluorocarbon (CFC) consumption be halved by 1998-99. The meeting, which took place from 27 to 29 June, was organised by the UNEP and hosted by the British Government, with Mr Patten acting as chairman. The conference was opened by the Prime Minister, Mrs Margaret Thatcher, and was preceded by a week-long expert working group meeting. In addition to the countries that have ratified the Protocol, 30 other countries attended with observer status.

Government's Aims

Speaking before the conference opened, Mr Patten said that the Protocol was already a success. Nearly 60 countries, between them responsible for 90 per cent of the world's consumption of CFCs, had already joined, and many had succeeded in making faster progress in phasing out CFCs than the Protocol required. Britain, for example, had halved its consumption of CFCs from 1986 levels by 1989, much earlier than the 1998-99 deadline. He outlined three objectives for the meeting:

1 strengthening controls over CFCs and halons;

2 extending the Protocol to cover two other ozone-depleting substances – carbon tetrachloride and methyl chloroform; and

3 avoiding the growth of new markets for CFCs by persuading developing countries to join the strengthened Protocol.

On the first objective, Mr Patten said that Britain and its European Community partners were seeking a demanding timetable which would result in the elimination of CFCs by the year 2000. He welcomed the progress in identifying a financial mechanism (see p 257) to help developing countries so that they would be able to play their part in solving the problem.

The Meeting

In his opening speech to the preparatory working group on 20 June, Mr Patten stressed the goal set out in the Third Report of the United Kingdom Stratospheric Ozone Review Group (see pp 257-8): 'a return to the level of chlorine loading in the stratosphere that prevailed before the appearance of the Antarctic ozone hole'.

Prime Minister's Speech

In her speech to the meeting on 27 June, Mrs Thatcher said that it was only just over a year since 123 countries had met in London for the 'Saving the Ozone Layer' conference (see pp 106-7, 1989), but that scientific understanding and concern about the problem had moved on even in that short period. In late 1989 the British Antarctic Survey had reported that the Antarctic spring had brought clear signs of ozone depletion as deep as in the worst year to date. Governments had to follow the best scientific advice available and to take prudent action. 'In this case, every new bit of information . . . confirms that the ozone layer *is* being damaged by CFCs and other chemicals, and that if we do not soon succeed in slowing down and then reversing that process, our health and our whole way of life will suffer.'

Mrs Thatcher stressed the importance of consumer choice in protecting the environment. Many more people were buying 'ozone-friendly' products. Britain had called for a European Community initiative on labelling so as to harness the power of popular choice for the environment. These labels had to provide honest information, since simple slogans such as 'ozone friendly' could be misleading.

She made four points about the protection of the ozone layer:

1 Damage to the ozone layer could develop quickly, so a delay in setting targets to eliminate ozone-depleting substances was not acceptable.

2 The search for safe alternatives to ozone-depleting substances had to be continued, despite the difficulties.

3 Major producers and users of ozone-depleting substances outside the Protocol must be encouraged quickly to join.

4 Industrialised countries must help developing countries to obtain and adopt substitute technologies.

Britain supported the UNEP initiative for a three-year action programme to help developing countries fund studies into meeting the requirements of the Protocol and immediately controlling their use of ozone-depleting substances. Britain was ready to contribute at least $9 million to such a programme, and this would rise to $15 million if other major countries joined the Protocol.

Outcome of the Meeting

The parties to the Protocol agreed several changes to increase the protection it gives to the ozone layer:

1 the phasing out of CFCs by 2000, with intermediate targets of a 50 per cent cut by 1995 and an 85 per cent cut by 1997;

2 a review, with the objective of accelerating the reduction schedule, in 1992;

3 the phasing out of halons, except for agreed essential uses, by 2000, with a cut of 50 per cent by 1995;

4 the extension of the Protocol to cover other CFCs not currently produced, but which would represent a threat to the ozone layer if they were;

5 controls on carbon tetrachloride, which will be phased out completely by 2000 after an intermediate cut of 85 per cent by 1995; and

6 controls on methyl chloroform, the use of which will be cut by 70 per cent by 2000 and phased out completely by 2005.

The first three will automatically apply to all parties to the Protocol; the other three will have to be ratified by the various parties before they come into force. Cuts in halons and CFCs are to be calculated on 1986 levels; those in carbon tetrachloride and methyl chloroform will use a 1989 baseline.

Other agreements were also reached outside the scope of the Protocol. The parties made a declaration calling for the prudent and responsible use of hydrochlorofluorocarbons (HCFCs) – chemicals seen as possible substitutes for CFCs which, although still potentially harmful to the atmosphere, do less damage than do CFCs. The declaration called for HCFCs in their turn to be phased out between 2020 and 2040. There was also agreement on a financial mechanism by which developed countries would meet the incremental costs that developing countries incur in complying with the Protocol. Following this agreement, both the Chinese and Indian delegations said that they would recommend to their governments that they join the Protocol.

Government View

Mr Patten welcomed the outcome of the meeting in a statement in the House of Commons on 2 July (*Hansard*, Vol 175, No 133, cols 689-90). The agreement marked a major step forward in the global effort to deal with the ozone problem, he said. Several countries, including Britain, would have liked even faster progress – for example, by phasing out CFCs by 1997 other than for essential medical uses. The Government would therefore press the European Community to provide for this inside the Community as soon as possible. Governments could not, he said, simply guarantee that technology would be transferred, because they often did not own the relevant technology. However, provision had been made in the Protocol that, if a developing country felt that its compliance with the Protocol was threatened by inadequate financial support or lack of technology transfer, it could discuss this with the other parties to find a solution.

Mr Patten described the outcome of the meeting as 'a unique achievement in environmental diplomacy. Never before has the international community reached agreement on this sort of package. . . . the fact that nearly 60 countries from the developed and developing world succeeded in reaching agreement on this issue . . . marks a new phase in international co-operation on major environmental issues.'

Responding to questions, the Secretary of State said that there were problems with substitute chemicals that would prevent even swifter action: 'it is simply not good enough, for example, to tell people in electronic engineering who are using solvents that they should use alternatives that have not yet been properly tested [for toxicity].' Monitoring and regulation were important elements in the Protocol, and a special committee would be set up to monitor compliance. The European Community would also have its own reporting system to ensure that the targets were achieved.

Recycling CFCs and Halons

On 5 June the Department of Trade and Industry published a report on the recycling of CFCs and halons.[1] Cost-effective recycling of CFCs, it says, could virtually halt their consumption in Britain by 1997. Halons could also be recycled and the vast majority of their uses eliminated by 2000. The then Parliamentary Under-Secretary of State for Industry and Consumer Affairs, Mr Eric Forth, said that it showed that British industry was responding well to the environmental challenge posed by the ozone layer and was well placed to meet a more stringent regulatory regime. However, this would require greater recycling of ozone-damaging substances, especially those used in refrigeration, in fire extinguishers and as solvents. Both the local authorities and the private sector had a role to play. A number of successful recovery and recycling schemes had been established, and Mr Forth hoped that the report would encourage others to be set up.

Stratospheric Ozone Report

Shortly before the London meeting, the United Kingdom Stratospheric Ozone Review Group – set up in 1985 to review understanding of stratospheric ozone and recommend areas for further research – published its third report.[2] Recent atmospheric measurements in the polar regions, it says, reinforce the conclusion that substantial damage has been done to the ozone layer by chlorine and bromine from man-made CFCs and halons. Because of the time-lag involved in chlorine reaching the stratosphere, ozone depletion could be expected to

[1] *CFCs and Halons: Alternatives and the Scope for Recovery for Recycling and Destruction*. HMSO, £21. ISBN 0 11 515253 9.

[2] *Stratospheric Ozone 1990*. United Kingdom Stratospheric Ozone Review Group report prepared at the request of the Department of the Environment and the Meteorological Office. HMSO, £5-30. ISBN 0 11 752320 8.

increase in the short term even with the cessation of CFC emissions. In order to return chlorine loadings in the atmosphere to levels seen before the appearance of the Antarctic 'hole', it would be necessary rapidly to phase out CFCs, and subsequently phase out short-lived ozone-depleting substances such as methyl chloroform and HCFCs. The report stresses that these short-lived substances need to be controlled if the benefits of cutting CFCs are not to be lost.

Press Conduct

The Government has welcomed a recent report on privacy and the press by an independent committee under the chairmanship of Mr David Calcutt, QC. This recommends that a non-statutory Press Complaints Commission be set up in place of the Press Council in a final attempt to make self-regulation of the press work properly. Additionally, the report proposes the creation of three new criminal offences of physical intrusion to obtain personal information for publication.

THE CALCUTT REPORT

The report[1] by the Calcutt Committee, which was appointed by the Government in April 1989 in response to widespread concern about intrusions into private lives by the press, was published on 21 June. The Committee was asked to consider what legal or other measures were needed to give further protection to individual privacy from the activities of the press and to improve recourse against the press for the individual citizen.

General Approach

The Committee's basic position is that freedom of expression should generally override protection of privacy, but that limited exceptions are necessary. Where protection is given, it should be in the form of narrowly drawn remedies aimed at particular abuses, rather than through a general right of privacy. Remedies should be fair, simple, informal and speedy and be available to people with limited means. Hence, the report rejects notions of a statutory right of reply, a civil remedy against infringement of privacy, or extending the law on defamation and breach of confidence, in favour of specific, targeted remedies.

Press Complaints Commission

The report's central recommendation is for the establishment of a non-statutory Press Complaints Commission by the newspaper industry within a year. This would be responsible only for adjudicating complaints; unlike the Press Council, which it would replace, it would not be charged with promoting freedom of the press. It would consist of up to 12 independently selected members, and would operate a code of practice (see below) more specific and comprehensive than those published by the national newspapers and the Press Council in 1989 (see pp 35-7).

The Press Complaints Commission is seen by the Committee as a last chance for the newspaper industry to make self-regulation work. It considers that the Commission should be placed on a statutory footing if its rulings were to be ignored by a publication. In the event of a more general breakdown of the voluntary system, or if the Commission were not to be set up, it recommends establishing a publicly financed statutory tribunal with greater powers of enforcement.

Press Intrusion

The report concentrates on the special problem of physical intrusion by the press, without consent of the occupant, onto private property. It proposes drawing up three related criminal offences to deal with this problem:

1 trespass on private property in order to obtain personal information for publication;

2 placing a surveillance device on private property to secure personal information for publication; and

3 taking a photograph or recording the voice of someone on private property with the intention that he or she should be identifiable and with a view to publication.

Each offence would be subject to defences that the intrusion was necessary in order, for example, to expose crime or serious wrongdoing, or was carried out under lawful authority. Publication of material acquired illegally would be preventable by injunction, or, if publication had already taken place, the offending parties would be liable to pay damages and court costs. These recommendations apply to England and Wales only, but the Committee proposes that the Government should consider whether the offences are also needed in Scotland.

Reporting Restrictions

The Committee recommends extending present restrictions on reporting criminal cases in England and Wales. The anonymity of rape victims should be extended to victims of other sexual offences, and courts should be able, in certain circumstances, to prevent publication of details identifying victims in other types of case.

Code of Practice

The report proposes that the Press Complaints Commission should publish, monitor and implement a code of practice for the guidance of both the press and the public which would be more detailed and specific than that published by the Press Council.

The Committee's draft code states that all members of the press have a duty to maintain the highest professional and ethical standards, and to pay particular attention to the provisions of the code. All material accepted from non-staff members should be obtained in accordance with the code.

Accuracy

1 Newspapers and periodicals should take care not to publish inaccurate, misleading or distorted material.

[1] *Report of the Committee on Privacy and Related Matters.* Home Office. Cm 1102. HMSO, £11·55. ISBN 0 10 111022 7.

2 Significant inaccuracies, misleading statements and distorted reports already published should be corrected promptly and with due prominence.

3 An apology should be published whenever appropriate.

4 A newspaper or periodical should always report fairly and accurately the outcome of an action for defamation in which it is involved.

Right of Reply

Individuals and organisations should be allowed a proportionate and reasonable opportunity to reply to criticisms and alleged inaccuracies published about them.

Comment, Conjecture and Fact

Newspapers should distinguish clearly between comment, conjecture and fact.

Privacy

Making inquiries and publishing material about the personal lives of individuals without their consent is not generally acceptable.

Hospitals

Journalists and photographers making inquiries at hospitals should identify themselves to a responsible official and obtain permission before entering.

Misrepresentation

1 Journalists should not generally acquire or seek to acquire information or pictures through misrepresentation or subterfuge.

2 Documents or photographs should be removed only with the express consent of the owner and only with an indication that they might be published.

Harassment

1 Journalists should neither obtain, nor seek to obtain, information or pictures through intimidation, harassment or trespass.

2 They should not persist in telephoning or questioning people after having been asked to stop and should not remain on property after having been asked to leave.

Payment for Articles

1 Payments or offers of payment for stories, pictures or information should not be made to witnesses or potential witnesses in current criminal proceedings or to people engaged in crime or to their associates.

2 Editors should not publish such material if they believe payment has been made for it.

Intrusion into Grief or Shock

1 The press should not intrude into personal grief or shock, in particular after an accident or tragedy.

2 In the exceptional circumstances when justifiable approaches are made to recently bereaved people inquiries should be carried out sympathetically and discreetly.

3 Pictures should not be published which are likely to exacerbate grief or cause distress.

Innocent Relatives and Friends

The press should not identify relatives or friends of people convicted or accused of a crime unless reference to them is necessary for the fair and accurate reporting of the crime or legal proceedings.

Interviewing and Photographing Children

1 Journalists should not normally interview or photograph a child under the age of 16 in the absence, or without the consent, of a parent or other adult responsible for the child.

2 Children should not be approached or interviewed at school without the permission of the school authorities.

Children in Sex Cases

The press should not, even where the law does not prohibit it, identify children under 16 who are involved in cases concerning sexual offences.

Victims of Crime

1 The press should not, even where the law does not prohibit it, identify victims of sexual assaults or publish material likely to contribute to identification.

2 The press should not identify victims of any crime when identification is likely to put at risk the physical or mental health or security of the victim or that of the victim's home.

Criminal Convictions

Even where it is not unlawful, a person's criminal convictions should not be published unless they are directly relevant.

Discrimination

1 The press should avoid prejudicial or pejorative references to race, colour, religion, sex or sexual orientation or to any physical or mental illness or handicap.

2 It should not publish details of a person's race, colour, religion, sex or sexual orientation unless these are directly relevant to the story.

Stories about the Recently-Dead

Newspapers should apply the same principles of accuracy, respect for privacy and non-discrimination to stories about the recently-dead as to stories about the living.

Financial Journalism

1 Even where the law does not prohibit it, journalists should not use for their own profit financial information received in advance of general publication, nor should they pass such information to others.

2 They should not write about shares or securities in whose performance they know that they or their close families have a significant financial interest without disclosing the interest to the editor or financial editor.

3 They should not buy or sell shares or securities about which they have written recently or about which they intend to write in the near future.

Confidential Sources

Journalists have a moral obligation to protect confidential sources of information.

The code makes provision for justifiable intrusion into people's personal lives, resort to subterfuge (including use of hidden cameras and recording devices), following people, and making payments for articles, where it is essential in order to detect or expose crime or seriously anti-social behaviour, protect public health or safety, or prevent the public from being misled by a public statement or action.

GOVERNMENT RESPONSE

Speaking on the day of the report's publication, the Home Secretary, Mr David Waddington, said that he warmly welcomed the general approach of the report, particularly its provisions for the setting up of the Press Complaints Commission and the three new criminal offences. Referring to the proposed new offences, Mr Waddington said that he accepted them in principle, because they 'offer the possibility of an immediate remedy against the worst excesses of the press'. Careful thought would need to be given to the detailed formulation of the offences and the precise scope of any defence, and he would report to the House of Commons on these matters later in 1990.

The Home Secretary went on to say that he would give further consideration to the Committee's proposals for extending court reporting restrictions, bearing in mind the balance to be struck between the rights of victims and the presumption that criminal proceedings should take place in public. The proposals fitted in well with measures already being taken to improve the treatment of victims of crime (see pp 100-1).

The Government recognised that the newspaper industry had made some attempt in the past year to respond to public concern about press abuses, Mr Waddington continued. It acknowledged that the Press Council had tried to modernise and make more effective the existing system of self-regulation. However, it was the view of the Calcutt Committee that the reforms had not gone far enough. The Government accepted the Committee's central recommendation that the press should be given 12 months to establish a Press Complaints Commission, whose performance it would review after 18 months of operation in order to determine whether a statutory underpinning was required. If the Commission were not to be set up, the Government would, with regret, draw up a statutory framework, taking account of the Committee's recommendations.

Shorter Notes

INTERNATIONAL WHALING COMMISSION

The Minister for Agriculture, Fisheries and Food, Mr John Gummer, has welcomed the outcome of the 42nd meeting of the International Whaling Commission (IWC), which took place at Noordwijk in the Netherlands between 2 and 6 July.

The review of the effects of the moratorium on commercial whaling, he said in a statement submitted to the IWC, would be crucial to the future of whale stocks. In the past, commercial whaling had been characterised by a persistent failure to manage whale stocks properly. The decision to introduce the moratorium marked a turning point in the IWC's recognition of its full responsibilities: not just exploitation but also conservation. The IWC would not be carrying out its responsibilities if it were to lift the moratorium before scientific advice recommended that whale stocks could be maintained at healthy levels and would not be endangered. He urged all members of the IWC not to return to the policies which required the moratorium to be introduced: 'with the moratorium on commercial whaling the IWC has been earning confidence from the world as a whole as a responsible body. What has been achieved could be rapidly lost if the wrong decisions are taken.'

The meeting upheld the moratorium, which had been in force since 1986 but had only been fully respected for the previous two years, and refused to make any exceptions to it. A British-sponsored resolution requesting the Japanese Government to reduce takes of Dall's porpoise was successful; Japan agreed to observe the recommendation of the IWC Scientific Committee. An IWC resolution backing a recent United Nations resolution against large-scale high-seas pelagic drift net fishing in the South Pacific was adopted with support from the British commissioner, as was a resolution, co-sponsored by Britain, seeking to encourage a greater emphasis on non-lethal research techniques. Britain also co-sponsored a resolution calling for studies into the status of dolphins and porpoises, many of which were being captured.

Sources: Ministry of Agriculture, Fisheries and Food news releases, 3.7.90 and 6.7.90.

NORTH SEA PROTECTION MEASURES

An implementation note, setting out the Government's detailed programme to reduce pollution of the North Sea, was published on 6 July. It follows the Third Meeting of the North Sea Conference in The Hague in March (see pp 121-3), and gives details of the measures that Britain will take to give effect to the agreements reached at the conference. The note gives guidance on the Ministerial Declaration and lists the targets and timetables for action that the Government has set. It is believed that Britain is the first North Sea state to produce a detailed plan on its implementation programme.

Commenting on the implementation note, Mr David Heathcoat-Amory, Parliamentary Under-Secretary of State at the Department of the Environment, said that Britain had taken an early lead in setting out details of the measures that it would take to implement the North Sea Conference agreements: 'it demonstrates our continued commitment to protection of the marine environment, both in the North Sea and all the seas and coastal waters surrounding the United Kingdom.'

Source: Department of the Environment news release, 6.7.90.

BRITISH FILM INDUSTRY

A plan to help the British film industry was agreed at a seminar chaired by the Prime Minister, Mrs Margaret Thatcher, on 15 June. Over 20 leading figures from the film industry, including Sir Richard Attenborough and Mr David Puttnam, attended the seminar. The meeting was also attended by ministers with responsibilities involving the film industry.

Addressing the seminar, Mrs Thatcher said: 'The British film industry has a proud record of excellence. But film production in this country has been on the decline. Twenty years ago our studios were full and we were turning out nearly 100 films a year that people wanted to see. Now our major studios, Elstree and Pinewood, are used more for commercials and pop videos. And last year we made only around 25 films.'

The Government's intention, Mrs Thatcher continued, was to ensure that the film industry was well placed to grasp the opportunities presented by growing cinema audiences and by an expanding market involving new media, such as multi-screen cinema complexes, more television channels and video. There was also a growing overseas market. Mrs Thatcher pointed to the many advantages that Britain enjoyed: 'Our common language brings us a unique opportunity to co-operate with the United States. And consider the talent available in the UK: excellent writers; first-rate actors and directors; highly skilled technicians and world-class producers. This is an industry in which Britain cannot just compete: we can excel.'

It was agreed that:

– the Government would provide £5 million over the next three years to help British film producers seeking to enter European co-productions;

– the Government would provide £150,000 to support the European Film Awards in Glasgow in December 1990;

– a working party would be set up to examine the structure of the industry and how to attract greater private sector finance;

– the industry would explore whether changes were needed to the tax regime for film production;

– the Government would continue discussions in Europe on how best to support the film production industry, notably through the MEDIA programme;[1] and

– the Government would study proposals from the industry on how to improve the promotion of British films in Britain and overseas.

Source: Prime Minister's Office news release, 15.6.90.

[1]European Community measures to encourage the development of the audiovisual industry.

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